

AN ACT relating to retirement and declaring an emergency.

***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

➔Section 1. KRS 6.350 is amended to read as follows:

(1) A bill which would increase or decrease the benefits or increase or decrease participation in the benefits or change the actuarial accrued~~[financial]~~ liability of any state-administered retirement system~~[public retirement system administered by an agency of state government]~~ shall not be reported from a legislative committee of either house of the General Assembly for consideration by the full membership of that house unless the bill is accompanied by an actuarial analysis.

(2) (a) An actuarial analysis required by this section must show the economic effect of the bill on the state-administered~~[public]~~ retirement system, including:

1. An estimate of the effect on the actuarial accrued liabilities of the affected systems; and

2. A projection of the annual cost to the systems~~[system]~~ of implementing the legislation for at least twenty (20)~~[ten (10)]~~ years. The annual cost projection shall include the affect on the contributions of participating employers as a percentage of total payroll and in total dollars of contributions.

(b) If a bill affects~~[proposes to increase benefits, increase benefit participation, or provide liability assumption for]~~ more than one (1) state-administered~~[public]~~ retirement system, the actuarial analysis shall project costs for each affected state-administered~~[public]~~ retirement system.

(c) An actuarial analysis shall state the actuarial assumptions and methods of computation used in the analysis and shall state whether or not the bill or resolution, if enacted, would, in the opinion of the actuary, make the affected state-administered~~[public]~~ retirement system actuarially unsound or, in the case of a system already actuarially unsound, more unsound.~~[An advanced~~

1           ~~funding~~ Actuarial cost methods and assumptions that meet actuarial  
2           standards of practice established by the Actuarial Standards Board~~[method]~~  
3           shall be used in all cost projections.

4           ~~(d)~~~~(b)~~ An actuarial analysis required by this section shall be prepared by an  
5           actuary who is a fellow of the Society of Actuaries, a member of the  
6           American Academy of Actuaries, or an enrolled actuary under the Employees'  
7           Retirement Income Security Act of 1974.

8       (3) (a) An actuary commissioned to make an actuarial analysis~~[study]~~ that is required  
9           by this section, or for the purpose of seeking appropriations for a state-  
10          administered~~[public]~~ retirement system~~[administered by an agency of state~~  
11          ~~government]~~, shall include in the analysis~~[study]~~ a complete definition of  
12          each actuarial term used in the analysis~~[study]~~ and, either in the  
13          analysis~~[study]~~ or in a separate actuarial valuation report made available as a  
14          public record, an enumeration and explanation of each actuarial assumption  
15          used to complete the actuarial analysis~~[in the valuation made for the study]~~.

16       (b) If the actuary commissioned to complete the actuarial analysis is relying  
17       upon assumptions that have not been previously established by the actuary  
18       in an actuarial valuation of the affected state-administered retirement  
19       system, the actuary shall clearly note and describe the new assumption and  
20       the basis for selecting the assumption.

21       (4) The actuarial analysis required by this section shall be completed by the actuary  
22       retained by the affected state-administered retirement system. The state-  
23       administered retirement systems shall provide the analysis without cost to the  
24       General Assembly.

25       (5) For purposes of this section, the term "state-administered retirement system"  
26       shall include:

1 (a) The Kentucky Employees Retirement System, the County Employees  
2 Retirement System, and the State Police Retirement System administered by  
3 the Kentucky Retirement Systems and established under the provisions of  
4 KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852;

5 (b) The Kentucky Teachers' Retirement System established under KRS 161.220  
6 to 161.716;

7 (c) The Judicial Retirement Plan established under KRS 21.345 to 21.580; and

8 (d) The Legislators' Retirement Plan established under KRS 6.500 to 6.577.

9 ➔Section 2. KRS 6.521 is amended to read as follows:

10 (1) As of July 1 of each year, the board of trustees of the Kentucky Judicial Form  
11 Retirement System shall recompute the monthly benefits of persons then receiving  
12 benefits under the Legislators' Retirement Plan, by using the following formula:  
13 three and one-half percent (3.5%) times fifty-five percent (55%) of the final  
14 compensation of the office in which the credit was earned for a person retiring as of  
15 the recomputation date, times the number of years of service credit (not to exceed  
16 twenty-eight (28) years). In making the recomputation, the same reduction factor, in  
17 case of an actuarially reduced benefit or a surviving spouse's benefit, shall be used  
18 as was used in determining the benefit then being received. If the benefit as  
19 recomputed in accordance with this section is higher than the benefit then being  
20 received, the recomputed benefit shall thereafter be paid monthly, commencing as  
21 of the date specified for the recomputation, subject to future adjustment at ensuing  
22 recomputations in accordance with this section.

23 (2) Effective August 1, 1998, ~~to~~~~and on~~ July 1, 2008~~[of each year thereafter]~~, a  
24 recipient of a monthly pension benefit from the Legislators' Retirement Plan shall  
25 have his or her benefit increased on July 1 of each year by the percentage increase  
26 in the annual average of the consumer price index for all urban consumers for the  
27 most recent calendar year as published by the Federal Bureau of Labor Statistics,

1 not to exceed five percent (5%). In determining the state's appropriation to the  
2 Legislators' Retirement Fund, only the costs of increases granted as of the most  
3 recent valuation date shall be recognized. The benefits of this subsection as  
4 provided on August 1, 1998, to July 1, 2008,~~[and thereafter]~~ shall not be considered  
5 as benefits protected by the inviolable contract provisions of KRS 6.505. The  
6 General Assembly reserves the right to suspend or reduce the benefits conferred in  
7 this subsection if in its judgment the welfare of the Commonwealth so demands.

8 (3) Effective July 1, 2009, and on July 1 of each year thereafter, a recipient of a  
9 monthly pension benefit from the Legislators' Retirement Plan shall have his or  
10 her benefit increased by one and one-half percent (1.5%), provided the recipient  
11 has been receiving a retirement benefit for at least twelve (12) months prior to the  
12 effective date of the increase. If the recipient has been receiving a benefit for less  
13 than twelve (12) months prior to the effective date of the increase provided by this  
14 subsection, the increase shall be reduced on a pro rata basis for each month the  
15 recipient has not been receiving a benefit in the twelve (12) months preceding the  
16 effective date of the increase. In determining the state's appropriation to the  
17 Legislators' Retirement Fund, only the costs of increases granted as of the most  
18 recent valuation date shall be recognized. The benefits of this subsection as  
19 provided on July 1, 2009, and thereafter shall not be considered as benefits  
20 protected by the inviolable contract provisions of Section 3 of this Act. The  
21 General Assembly reserves the right to suspend or reduce the benefits conferred  
22 in this subsection if in its judgment the welfare of the Commonwealth so  
23 demands.

24 (4) In addition to the increase to a recipient's retirement allowance as provided by  
25 subsection (3) of this section, the General Assembly may, by subsequent  
26 legislation, provide supplemental increases to a recipient's retirement allowance  
27 to help adjust for actual changes in the recipient's cost of living if the General

*Assembly appropriates sufficient funds to fully prefund the benefit in the year the increase is provided.*

➔Section 3. KRS 6.505 is amended to read as follows:

- (1) Each legislator in office on July 1, 1980, may within thirty (30) days after that date, and any legislator thereafter taking office may within thirty (30) days after the date thereof, elect to make monthly contributions to the Legislators' Retirement Plan, in an amount equal to five percent (5%) of his monthly creditable compensation, as defined in KRS 61.510(13). The election shall be effective to establish membership in the plan as of July 1, 1980, or as of the date from which the thirty (30) day period is measured, as the case may be. Provided, however, that any legislator who was in office on July 1, 1980, and who is in office at the time he makes the election may, after the expiration of the thirty (30) day period and until May 1, 1982, make the election, in which event he shall pay to the Legislators' Retirement Plan, for the months between July 1, 1980, and the date of his election such sum as, when added to any member's contribution by him that is transferred from another retirement system under KRS 6.535, will equal the member's contribution required by this section. If the member makes his election after February 1, 1981, he shall in addition pay to the plan interest on the foregoing sum, at six percent (6%) per annum, calculated as if the sum consisted of equal monthly payments, one (1) of which was due at the end of each month between July 1, 1980, and the date the election was made. The election shall be addressed to and filed with the secretary of the Finance and Administration Cabinet and shall constitute an authorization to the secretary to thereafter cause to be deducted from the member's monthly creditable compensation an amount equal to five percent (5%) thereof, as a voluntarily elected contribution by the member towards the funding of the Legislators' Retirement Plan. Such election shall operate to create an inviolable contract between such member and the Commonwealth, guaranteeing to and vesting in the member the

rights and benefits provided for under KRS 6.515 to 6.530. An election once made under this section either to participate or not to participate in the Legislators' Retirement Plan, shall be considered to apply to all future service as a legislator, whether in the same or a different office as a legislator, and whether or not it is in successive terms. Notwithstanding the provisions of this subsection, a legislator who becomes a member of the Legislators' Retirement Plan on or after September 1, 2008, shall make monthly contributions to the Legislators' Retirement Plan in an amount equal to six percent (6%) of his monthly creditable compensation, as defined in KRS 61.510(13), except that an individual who has filed to run for a term of office as a legislator before the effective date of this Act and who is elected to a first term of office beginning January 1, 2009, shall contribute five percent (5%) of his monthly creditable compensation, as defined in KRS 61.510(13).

- (2) A legislator entitled to elect membership in the retirement system who failed to elect membership within thirty (30) days after taking office may elect membership not later than August 31, 2005. An election, upon being made pursuant to this section, shall operate to create an inviolable contract between the member and the Commonwealth, guaranteeing to and vesting in the member the rights and benefits provided for under the terms and conditions of KRS 6.500 to 6.577.
- (3) When any legislator makes a delayed election of membership in the Legislators' Retirement Plan under subsection (2) of this section, his active membership in the Kentucky Employees Retirement System shall terminate, as of the date his membership in the Legislators' Retirement Plan becomes effective, and any credit in the Kentucky Employees Retirement System, earned for service as a legislator, which he then has or which he subsequently regains while being an active member of the Legislators' Retirement Plan, shall be transferred to and counted as service credit in the Legislators' Retirement Plan, and shall no longer constitute credit in the

1 Kentucky Employees Retirement System, except for the purpose of validating any  
2 other credit in that system if the member pays the difference, if any, between the  
3 amount transferred from the Kentucky Employees Retirement System and the  
4 actuarial value of the transferred service. However, any credit he then has in the  
5 Kentucky Employees Retirement System, earned for service in any capacity other  
6 than a legislator, shall not be affected. No person may attain credit in more than one  
7 (1) of the retirement plans or systems mentioned in this section for the same period  
8 of service. When credit is transferred from the Kentucky Employees Retirement  
9 System to the Legislators' Retirement Plan, the Kentucky Employees Retirement  
10 System shall transfer to the Legislators' Retirement Fund an amount equal to the  
11 employee's and employer's contributions attributable to that credit, together with  
12 interest on the contributions from the date made to the date of transfer at the  
13 actuarially-assumed interest rate of the Kentucky Employees Retirement System in  
14 effect at the time the contributions were made, compounded annually at that same  
15 interest rate.

- 16 (4) The state shall, solely for the purpose of compliance with Section 414(h) of the  
17 United States Internal Revenue Code, pick up the employee contributions required  
18 by this section for all compensation earned after August 1, 1982, and the  
19 contributions so picked up shall be treated as employer contributions in determining  
20 tax treatment under the United States Internal Revenue Code and KRS 141.010(10).  
21 The picked-up employee contribution shall satisfy all obligations to the retirement  
22 system satisfied prior to August 1, 1982, by the employee contribution, and the  
23 picked-up employee contribution shall be in lieu of an employee contribution. The  
24 state shall pay these picked-up employee contributions from the same source of  
25 funds which is used to pay earnings to the employee. The employee shall have no  
26 option to receive the contributed amounts directly instead of having them paid by  
27 the employer to the system. Employee contributions picked up after August 1,

1        1982, shall be treated for all purposes of KRS 6.500 to 6.535 in the same manner  
2        and to the same extent as employee contributions made prior to August 1, 1982.

3        (5) When any legislator elects membership in the Legislators' Retirement Plan in  
4        accordance with this section, his active membership in the Kentucky Employees  
5        Retirement System, State Police Retirement System, County Employees Retirement  
6        System, or Teachers' Retirement System shall terminate, as of the date his  
7        membership in the Legislators' Retirement Plan becomes effective, and any credit  
8        in such other system or systems, earned for service as a legislator, which he then  
9        has or which he subsequently regains while being an active member of the  
10       Legislators' Retirement Plan, shall be transferred to and counted as service credit in  
11       the Legislators' Retirement Plan, and shall no longer constitute credit in such other  
12       retirement system except for the purpose of validating any other credit in that  
13       system. However, any credit he then has in such other retirement system, earned for  
14       service in any capacity other than a legislator, shall not be affected. No person may  
15       attain credit in more than one (1) of the retirement plans or systems mentioned in  
16       this section, for the same period of service.

17       (6) A member of the Legislators' Retirement Plan who would be entitled, under KRS  
18       61.552, to repurchase credit in the Kentucky Employees Retirement System, for  
19       previous service as a legislator, which credit had been lost by refund of  
20       contributions, may pay the amount required by KRS 61.552 directly to the  
21       Legislators' Retirement Plan and thereby obtain credit in that plan for such service,  
22       rather than making payment to the Kentucky Employees Retirement System for  
23       credit which would be transferred to the Legislators' Retirement Plan. In such event,  
24       the Kentucky Employees Retirement System shall transfer to the Legislators'  
25       Retirement Plan an amount equal to the employer's contributions that originally  
26       were made to the Kentucky Employees Retirement System for the regained service  
27       credit, with interest as provided in KRS 6.535. Six (6) months' current service shall



1 be required in the Legislators' Retirement Plan in order for the repurchased credit to  
2 remain in force, the same as provided in KRS 61.552.

3 ➔Section 4. KRS 21.405 is amended to read as follows:

4 (1) As of July 1, 1982, the board of trustees of the Kentucky Judicial Form Retirement  
5 System shall recompute the monthly benefits of persons then receiving benefits  
6 under the Judicial Retirement Plan by using the same service credit rate and the  
7 same number of years of service that were used in computing the benefits then  
8 being received but substituting, in lieu of the "final compensation" that was used in  
9 the computation of the benefit then being received an amount equal to fifty-five  
10 percent (55%) of the final compensation of the office in which the credit was earned  
11 for a person retiring as of June 30, 1982.

12 (2) As of July 1, 1983, and as of July 1 of each year thereafter, the board of trustees of  
13 the Kentucky Judicial Form Retirement System shall recompute the monthly  
14 benefits of persons then receiving benefits under the Judicial Retirement Plan by  
15 using the following formula: two and three-fourths percent (2.75%) times fifty-five  
16 percent (55%) of the final compensation of the office in which the retirement credit  
17 was earned for a person retiring as of the recomputation date, times the number of  
18 years of service credit (not to exceed thirty-six (36) years).

19 (3) In making the recomputations provided for in subsections (1) and (2) of this section,  
20 the same reduction factor, in case of an actuarially reduced benefit or a surviving  
21 spouse's benefit, shall be used as was used in determining the benefit then being  
22 received. If the benefit as recomputed in accordance with subsection (1) or (2) of  
23 this section is higher than the benefit then being received, the recomputed benefit  
24 shall thereafter be paid monthly, commencing as of the date specified for the  
25 recomputation, subject to future adjustment at ensuing annual recomputations in  
26 accordance with subsection (2) of this section. For the purposes of this section, the  
27 following office equivalents shall be used: Judge of former Court of Appeals -

Justice of Supreme Court; any position other than judge or justice that was covered by the Judicial Retirement System - Judge of the present Court of Appeals.

- (4) Effective August 1, 1998, ~~to~~~~[and on]~~ July 1, 2008~~[of each year thereafter,]~~ a recipient of a monthly pension benefit from the Kentucky Judicial Retirement Plan shall have his or her benefit increased on July 1 of each year by the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year as published by the Federal Bureau of Labor Statistics, not to exceed five percent (5%). In determining the state's appropriation to the Judicial Retirement Fund, only the costs of increases granted as of the most recent valuation date shall be recognized. The benefits of this subsection as provided on August 1, 1998, to July 1, 2008,~~[and thereafter]~~ shall not be considered as benefits protected by the inviolable contract provisions of KRS 21.480. The General Assembly reserves the right to suspend or reduce the benefits conferred in this subsection if in its judgment the welfare of the Commonwealth so demands.

- (5) Effective July 1, 2009, and on July 1 of each year thereafter, a recipient of a monthly pension benefit from the Kentucky Judicial Retirement Plan shall have his or her benefit increased by one and one-half percent (1.5%), provided the recipient has been receiving a benefit for at least twelve (12) months prior to the effective date of the increase. If the recipient has been receiving a benefit for less than (12) months prior to the effective date of the increase provided by this subsection, the increase shall be reduced on a pro rata basis for each month the recipient has not been receiving benefits in the twelve (12) months preceding the effective date of the increase. In determining the state's appropriation to the Judicial Retirement Fund, only the costs of increases granted as of the most recent valuation date shall be recognized. The benefits of this subsection as provided on July 1, 2009, and thereafter shall not be considered as benefits protected by the inviolable contract provisions of KRS 21.480. The General

Assembly reserves the right to suspend or reduce the benefits conferred in this subsection if in its judgment the welfare of the Commonwealth so demands.

(6) In addition to the increase to a recipient's retirement allowance as provided by subsection (5) of this section, the General Assembly may, by subsequent legislation, provide supplemental increases to a recipient's retirement allowance to help adjust for actual changes in the recipient's cost of living if the General Assembly appropriates sufficient funds to fully prefund the benefit in the year the increase is provided.

➔Section 5. KRS 21.360 is amended to read as follows:

(1) (a) Each Judge of the District Court in office on July 1, 1978, may within thirty (30) days after that date, and any judge or justice of any court entitled to be a member thereafter taking office may within thirty (30) days after taking office, elect to make monthly contributions to the retirement system in an amount equal to five percent (5%) of his monthly official salary, except that a judge or justice who becomes a member of the Kentucky Judicial Retirement Plan on or after September 1, 2008, shall make monthly contributions to the retirement system in the amount equal to six percent (6%) of his monthly official salary.

(b) The election shall be effective to establish membership in the system as of July 1, 1978, or as of the date the judge or justice took office, as the case may be. The election shall be addressed to and filed with the secretary of the Finance and Administration Cabinet, and shall constitute an authorization by the member, to the secretary, to thereafter cause to be deducted from the member's official salary, each month, ~~the~~<sup>an</sup> amount required by paragraph (a) of this subsection~~[equal to five percent (5%) of the monthly salary]~~, as a voluntary contribution by the member towards the funding of the retirement system. The contribution shall continue until the judge or justice is vested in a

1 service retirement allowance equal to one hundred percent (100%) of final  
2 compensation. Thereafter employee contributions shall be discontinued but  
3 continued service and retirement benefits shall not be affected thereby.

4 (2) A judge or justice entitled to elect membership in the retirement system who failed  
5 to elect membership within thirty (30) days after taking office in 1980 or who  
6 elected membership in the Kentucky Employees Retirement System may elect  
7 membership not later than August 31, 2005. An election, upon being made pursuant  
8 to this section, shall operate to create an inviolable contract between the member  
9 and the Commonwealth, guaranteeing to and vesting in the member the rights and  
10 benefits provided for under the terms and conditions of KRS 21.350 to 21.510.

11 (3) (a) When any judge makes a delayed election of membership in the Judicial  
12 Retirement Plan under subsection (2) of this section, his active membership in  
13 the Kentucky Employees Retirement System shall terminate, as of the date his  
14 membership in the Judicial Retirement Plan becomes effective, and any credit  
15 in the Kentucky Employees Retirement System, earned for service as a judge,  
16 which he then has or which he subsequently regains while being an active  
17 member of the Judicial Retirement Plan, shall be transferred to and counted as  
18 service credit in the Judicial Retirement Plan, and shall no longer constitute  
19 credit in the Kentucky Employees Retirement System, except for the purpose  
20 of validating any other credit in that system, if the member pays the  
21 difference, if any, between the amount transferred from the Kentucky  
22 Employees Retirement System and the actuarial value of the transferred  
23 service.

24 (b) Any credit he then has in the Kentucky Employees Retirement System, earned  
25 for service in any capacity other than a judge, shall not be affected.  
26 Notwithstanding any provisions of KRS 61.680 to the contrary, final  
27 compensation used to determine benefits for any service credit remaining in

1           the Kentucky Employees Retirement System shall be based on the highest  
2           years of compensation as a judge whether the years occur before or after the  
3           judge elects membership in the Judicial Retirement Plan.

4           (c) No person may attain credit in more than one (1) of the retirement plans or  
5           systems mentioned in this section for the same period of service. When credit  
6           is transferred from the Kentucky Employees Retirement System to the  
7           Judicial Retirement Plan, the Kentucky Employees Retirement System shall  
8           transfer to the Judicial Retirement Fund an amount equal to the employee's  
9           and employer's contributions attributable to that credit, together with interest  
10          on the contributions from the date made to the date of transfer at the  
11          actuarially-assumed interest rate of the Kentucky Employees Retirement  
12          System in effect at the time the contributions were made, compounded  
13          annually at that same interest rate.

14       (4) Membership and benefit rights for judges and justices (other than Judges of the  
15       District Court), and for the commissioners and administrative director, who took  
16       office prior to July 1, 1978, shall be dependent upon valid elections having been  
17       made under this section (and KRS 21.355 and 21.365) prior to the 1978 amendment  
18       to this section. The terms of such elections, including the contribution rate, shall  
19       continue to govern for the duration of the member's service.

20       (5) When any Judge of the District Court in office on July 1, 1978, elects membership  
21       in the Judicial Retirement System in accordance with this section, his membership  
22       in the Kentucky Employees Retirement System shall terminate as of July 1, 1978,  
23       and any credit in that system he earned for service as a Judge of the District Court  
24       shall be nullified; provided that the effect of such service to validate any other  
25       service credit in that system shall not be nullified.

26       (6) The state shall, solely for the purpose of compliance with Section 414(h) of the  
27       United States Internal Revenue Code, pick up the employee contributions required

1 by this section for all compensation earned after August 1, 1982, and the  
2 contributions so picked up shall be treated as employer contributions in determining  
3 tax treatment under the United States Internal Revenue Code and KRS 141.010(10).  
4 The picked-up employee contribution shall satisfy all obligations to the retirement  
5 system satisfied prior to August 1, 1982, by the employee contribution, and the  
6 picked-up employee contribution shall be in lieu of an employee contribution. The  
7 state shall pay these picked-up employee contributions from the same source of  
8 funds which is used to pay earnings to the employee. The employee shall have no  
9 option to receive the contributed amounts directly instead of having them paid by  
10 the employer to the system. Employee contributions picked up after August 1,  
11 1982, shall be treated for all purposes of KRS 21.345 to 21.570 in the same manner  
12 and to the same extent as employee contributions made prior to August 1, 1982.

- 13 (7) An election once made under this section, either to participate or not to participate  
14 in the Judicial Retirement Plan, shall be considered to apply, to all future service in  
15 any office covered by the plan, whether such service is in the same or a different  
16 office, and whether or not it is continuous.

17 ➔Section 6. KRS 16.505 is amended to read as follows:

18 As used in KRS 16.505~~[16.510]~~ to 16.652, unless the context otherwise requires:

- 19 (1) "System" means the State Police Retirement System created by KRS  
20 16.505~~[16.510]~~ to 16.652;
- 21 (2) "Board" means the board of trustees of the Kentucky Retirement Systems;
- 22 (3) "Employer" or "State Police" means the Department of Kentucky State Police, or its  
23 successor;
- 24 (4) "Current service" means the number of years and completed months of employment  
25 as an employee subsequent to July 1, 1958, for which creditable compensation was  
26 paid by the employer and employee contributions deducted except as otherwise  
27 provided;

- 1 (5) "Prior service" means the number of years and completed months of employment as  
2 an employee prior to July 1, 1958, for which creditable compensation was paid to  
3 the employee by the Commonwealth. Twelve (12) months of current service in the  
4 system are required to validate prior service;
- 5 (6) "Service" means the total of current service and prior service;
- 6 (7) "Accumulated contributions" at any time means the sum of all amounts deducted  
7 from the compensation of a member and credited to his individual account in the  
8 member's contribution account, including employee contributions picked up after  
9 August 1, 1982, pursuant to KRS 16.545(4), together with interest credited on such  
10 amounts as provided in KRS 16.505~~[16.510]~~ to 16.652, and any other amounts the  
11 member shall have contributed, including interest credited;
- 12 (8) "Creditable compensation" means all salary and wages, including payments for  
13 compensatory time, paid to the employee as a result of services performed for the  
14 employer or for time during which the member is on paid leave, which are  
15 includable on the member's federal form W-2 wage and tax statement under the  
16 heading "wages, tips, other compensation," including employee contributions  
17 picked up after August 1, 1982, pursuant to KRS 16.545(4). A lump-sum bonus,  
18 severance pay, or employer-provided payment for purchase of service credit shall  
19 be included as creditable compensation but shall be averaged over the employee's  
20 total service with the system in which it is recorded if it is equal to or greater than  
21 one thousand dollars (\$1,000). Living allowances, expense reimbursements, lump-  
22 sum payments for accrued vacation leave, and other items determined by the board  
23 shall be excluded. Creditable compensation shall also include amounts which are  
24 not includable in the member's gross income by virtue of the member having taken  
25 a voluntary salary reduction provided for under applicable provisions of the Internal  
26 Revenue Code. Creditable compensation shall also include elective amounts for  
27 qualified transportation fringes paid or made available on or after January 1, 2001,

1 for calendar years on or after January 1, 2001, that are not includable in the gross  
2 income of the employee by reason of 26 U.S.C. sec. 132(f)(4). **For employees who**  
3 **begin participating on or after September 1, 2008, creditable compensation shall**  
4 **not include payments for compensatory time;**

5 (9) "Final compensation"~~[-at any time]~~ means:

6 **(a) For a member who begins participating before September 1, 2008,** the  
7 creditable compensation of a member during the three (3) fiscal years he was  
8 paid at the highest average monthly rate divided by the number of months of  
9 service credit during the three (3) year period, multiplied by twelve (12); the  
10 three (3) years may be fractional and need not be consecutive. If the number  
11 of months of service credit during the three (3) year period is less than twenty-  
12 four (24), one (1) or more additional fiscal years shall be used; **or**

13 **(b) For a member who begins participating on or after September 1, 2008, the**  
14 **creditable compensation of the member during the three (3) complete fiscal**  
15 **years he was paid at the highest average monthly rate divided by three (3).**  
16 **Each fiscal year used to determine final compensation must contain twelve**  
17 **(12) months of service credit;**

18 (10) "Final rate of pay" means the actual rate upon which earnings of a member were  
19 calculated during the twelve (12) month period immediately preceding the  
20 member's effective retirement date, including employee contributions picked up  
21 after August 1, 1982, pursuant to KRS 16.545(4). The rate shall be certified to the  
22 system by the employer and the following equivalents shall be used to convert the  
23 rate to an annual rate: two thousand eighty (2,080) hours for eight (8) hour  
24 workdays, one thousand nine hundred fifty (1,950) hours for seven and one-half (7-  
25 1/2) hour workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve  
26 (12) months, or one (1) year;



- 1 (11) "Retired member" means any former member receiving a retirement allowance or  
2 any former member who has filed the necessary documents for retirement benefits  
3 and is no longer contributing to the retirement system;
- 4 (12) "Retirement allowance" means the retirement payments to which a retired member  
5 is entitled;
- 6 (13) "Actuarially equivalent benefits" means benefits which are of equal value when  
7 computed upon the basis of actuarial tables adopted by the board, except that, in  
8 case of disability retirement, the options authorized by KRS 61.635 shall be  
9 computed by adding ten (10) years to the age of the member. No disability  
10 retirement option shall be less than the same option computed under early  
11 retirement;
- 12 (14) "Authorized leave of absence" means any time during which a person is absent  
13 from employment but retained in the status of an employee in accordance with the  
14 personnel policy of the Department of Kentucky State Police;
- 15 (15) "Normal retirement date" means:
- 16 (a) For a member who begins participating before September 1, 2008, the first  
17 day of the month following a member's fifty-fifth birthday, except that for  
18 members over age fifty-five (55) on July 1, 1958, it shall mean January 1,  
19 1959; or
- 20 (b) For a member who begins participating on or after September 1, 2008, the  
21 first day of the month following a member's sixtieth birthday;
- 22 (16) "Disability retirement date" means the first day of the month following the last day  
23 of paid employment;
- 24 (17) "Dependent child" means a child in the womb and a natural or legally adopted child  
25 of the member who has neither attained age eighteen (18) nor married or who is an  
26 unmarried full-time student who has not attained age twenty-two (22);

- 1 (18) "Optional allowance" means an actuarially equivalent benefit elected by the  
2 member in lieu of all other benefits provided by KRS ~~16.505~~~~[16.510]~~ to 16.652;
- 3 (19) "Act in line of duty" means an act occurring or a thing done, which, as determined  
4 by the board, was required in the performance of the duties specified in KRS  
5 16.060. For employees in hazardous positions under KRS 61.592, an "act in line of  
6 duty" shall mean an act occurring which was required in the performance of the  
7 principal duties of the position as defined by the job description;
- 8 (20) "Early retirement date" means:
- 9 (a) For a member who begins participating before September 1, 2008, the  
10 retirement date declared by a member who is not less than fifty (50) years of  
11 age and has fifteen (15) years of service; or
- 12 (b) For a member who begins participating on or after September 1, 2008, the  
13 retirement date declared by a member who is not less than fifty (50) years of  
14 age and has fifteen (15) years of service credited under KRS 16.543(1),  
15 61.543(1), or 78.615(1) or another state-administered retirement system;
- 16 (21) "Member" means any officer included in the membership of the system as provided  
17 under KRS 16.520 whose membership has not been terminated under KRS 61.535;
- 18 (22) "Regular full-time officers" means the occupants of positions as set forth in KRS  
19 16.010;
- 20 (23) "Hazardous disability" as used in KRS ~~16.505~~~~[16.510]~~ to 16.652 means a disability  
21 which results in an employee's total incapacity to continue as an employee in a  
22 hazardous position, but the employee is not necessarily deemed to be totally and  
23 permanently disabled to engage in other occupations for remuneration or profit;
- 24 (24) "Current rate of pay" means the member's actual hourly, daily, weekly, biweekly,  
25 monthly, or yearly rate of pay converted to an annual rate as defined in final rate of  
26 pay. The rate shall be certified by the employer;

- 1 (25) "Beneficiary" means the person, persons, estate, trust, or trustee designated by the  
2 member in accordance with KRS 61.542 or 61.705 to receive any available benefits  
3 in the event of the member's death. As used in KRS 61.702, "beneficiary" does not  
4 mean an estate, trust, or trustee;
- 5 (26) "Recipient" means the retired member, the person or persons designated as  
6 beneficiary by the member and drawing a retirement allowance as a result of the  
7 member's death, or a dependent child drawing a retirement allowance. An alternate  
8 payee of a qualified domestic relations order shall be considered a recipient only for  
9 purposes of KRS 61.691;
- 10 (27) "Person" means a natural person;
- 11 (28) "Retirement office" means the Kentucky Retirement Systems office building in  
12 Frankfort;
- 13 (29) "Delayed contribution payment" means an amount paid by an employee for  
14 purchase of current service. The amount shall be determined using the same  
15 formula in KRS 61.5525, and the payment shall not be picked up by the employer.  
16 A delayed contribution payment shall be deposited to the member's contribution  
17 account and considered as accumulated contributions of the individual member;
- 18 (30) "Last day of paid employment" means the last date employer and employee  
19 contributions are required to be reported in accordance with KRS 16.543, 61.543, or  
20 78.615 to the retirement office in order for the employee to receive current service  
21 credit for the month. Last day of paid employment does not mean a date the  
22 employee receives payment for accrued leave, whether by lump sum or otherwise,  
23 if that date occurs twenty-four (24) or more months after previous contributions;
- 24 (31) "Objective medical evidence" means reports of examinations or treatments; medical  
25 signs which are anatomical, physiological, or psychological abnormalities that can  
26 be observed; psychiatric signs which are medically demonstrable phenomena  
27 indicating specific abnormalities of behavior, affect, thought, memory, orientation,

1 or contact with reality; or laboratory findings which are anatomical, physiological,  
2 or psychological phenomena that can be shown by medically acceptable laboratory  
3 diagnostic techniques, including but not limited to chemical tests,  
4 electrocardiograms, electroencephalograms, X-rays, and psychological tests;

5 (32) "Fiscal year" of the system means the twelve (12) months from July 1 through the  
6 following June 30, which shall also be the plan year;

7 (33) "Participating" means an employee is currently earning service credit in the system  
8 as provided in KRS 16.543; and

9 (34) "Month" means a calendar month.

10 ➔Section 7. KRS 16.560 is amended to read as follows:

11 (1) The member contribution account shall be the account to which all members'  
12 contributions, or contributions picked up by the employer after August 1, 1982, and  
13 interest allowances as provided in KRS 16.505~~16.510~~ to 16.652 shall be credited;  
14 only funds from this account shall be used to return accumulated contributions of a  
15 member when required by reason of any provision of KRS 16.505~~16.510~~ to  
16 16.652. Prior to the member's retirement, death, or refund in accordance with KRS  
17 61.625, no funds shall be made available from the member's contribution account.

18 (2) Each member's contribution or contribution picked up by the employer shall be  
19 credited to the individual account of the contributing member.

20 (3) Each member on June 30 of each year shall have his individual account credited  
21 with interest.

22 (a) For members who begin participating before September 1, 2008, interest  
23 shall be credited to their individual account at a rate determined by the board  
24 but not less than two and one-half percent (2.5%) per annum on the  
25 accumulated contributions of the member on June 30 of the preceding fiscal  
26 year.

1 (b) For members who begin participating on or after September 1, 2008,  
2 interest shall be credited to their individual account at a rate of two and  
3 one-half percent (2.5%) per annum on the accumulated contributions of the  
4 member on June 30 of the preceding fiscal year.~~[and]~~

5 The amounts ~~of interest~~~~[so]~~ credited to a member's account under this subsection  
6 shall be transferred from the retirement allowance account.

7 (4) Upon the retirement of a member, his accumulated contribution shall be transferred  
8 from the member's contribution account to the retirement allowance account.

9 (5) Included as a part of such member's contribution account shall be his accumulated  
10 contributions in the Kentucky Employees Retirement System, if any, transferred to  
11 this system.

12 ➔Section 8. KRS 16.576 is amended to read as follows:

13 (1) (a) Any member who begins participating before September 1, 2008, who  
14 has~~[with]~~ at least five (5) years of service credit may retire at his normal  
15 retirement date, or subsequent thereto, upon written notification to the system,  
16 setting forth at what date~~[time]~~ the retirement is to become effective, if the  
17 effective date shall be after his last day of service and subsequent to the filing  
18 of the notice at the retirement office.

19 (b) Any member who begins participating on or after September 1, 2008, who  
20 has at least five (5) years of service credited under KRS 16.543(1),  
21 61.543(1), or 78.615(1) or another state-administered retirement system may  
22 retire at his normal retirement date, or subsequent thereto, upon written  
23 notification to the system, setting forth what date the retirement is to become  
24 effective, if the effective date shall be after his last day of service and  
25 subsequent to the filing of the notice at the retirement office.

(2) The member shall have the right to elect to have his retirement allowance payable under subsection (3), (4), or (6) of this section or any one (1) of the plans set forth in KRS 61.635.

(3) (a) Effective August 1, 1990, a member of the Kentucky State Police Retirement System may elect to receive an annual retirement allowance, payable monthly during his lifetime, equal to two and five-tenths percent (2.5%) of final compensation for each year of service credit. Effective August 1, 1988, a member of the County Employees Retirement System covered by this section may elect to receive an annual retirement allowance, payable monthly during his lifetime, equal to two and five-tenths percent (2.5%) of final compensation for each year of service credit. Effective August 1, 1988, a member of the Kentucky Employees Retirement System covered by this section may elect to receive an annual retirement allowance, payable monthly during his lifetime, equal to two and forty-nine hundredths percent (2.49%) of final compensation for each year of service credit. The annual retirement allowance for a member covered by this section shall not exceed the maximum benefit as set forth in the Internal Revenue Code.

(b) A member of the State Police Retirement System, a member of the Kentucky Employees Retirement System covered by this section, or a member of the County Employees Retirement System covered by this section, whose participation begins on or after September 1, 2008, shall receive an annual retirement allowance, payable monthly during his or her lifetime, equal to:

1. One and three-tenths percent (1.3%) of final compensation for each year of service credit if the employee has earned ten (10) or less years of service at retirement;

- 1                    2. One and one-half percent (1.5%) of final compensation for each year  
2                    of service credit if the employee has earned greater than ten (10) but  
3                    no more than twenty (20) years of service at retirement;  
4                    3. Two and one-quarter percent (2.25%) of final compensation for each  
5                    year of service credit if the employee has earned greater than twenty  
6                    (20) but less than twenty-five (25) years of service at retirement; or  
7                    4. Two and one-half percent (2.5%) of final compensation for each year  
8                    of service credit if the employee has earned twenty-five (25) or more  
9                    years of service at retirement.

- 10        (4) The member may elect to receive a monthly retirement allowance payable for ten  
11        (10) years certain, actuarially equivalent to the retirement allowance payable under  
12        subsection (3) of this section. If the member should become deceased prior to the  
13        expiration of ten (10) years, his beneficiary shall receive the remaining payments  
14        monthly for the duration of the ten (10) years. The provisions of KRS 61.702  
15        notwithstanding, the member who retired on June 17, 1978, or thereafter, and his  
16        spouse and dependents or beneficiary shall continue to receive the insurance  
17        benefits to which they are entitled pursuant to KRS 61.702 after the expiration of  
18        ten (10) years. Effective with any insurance contract procured, or self-insurance  
19        plan instituted, after July 15, 1990, a member who retired prior to June 17, 1978,  
20        and his spouse and dependents or beneficiary shall receive insurance benefits  
21        pursuant to KRS 61.702 upon payment by the member or beneficiary of the entire  
22        cost of the required insurance premium.
- 23        (5) Notwithstanding any other provisions of this section, upon written notification to  
24        the system, a member shall have the option to defer his election to receive his  
25        retirement allowance. The retirement allowance payable under a deferred option  
26        shall be increased to reflect the deferred receipt of benefits.

(6) In lieu of any other benefits due under KRS 16.505 to 16.652, a member **who begins participating before September 1, 2008,** who has attained age fifty-five (55) and who has attained at least one (1) month of service credit but no more than fifty-nine (59) months of service credit may elect to receive an annual retirement allowance, payable monthly or less frequently as determined by the board, which shall be determined by multiplying his accumulated contributions by two (2) and converting this amount to an annual retirement allowance based on an annuity rate adopted by the board which would pay the actuarial equivalent of twice his accumulated contributions over the lifetime of the retired member.

➔Section 9. KRS 16.577 is amended to read as follows:

(1) Upon retirement at early retirement date, a member may receive an annual retirement allowance payable monthly during his lifetime which shall be determined in the same manner as for retirement at his normal retirement date, with years of service and final compensation being determined as of the date of his actual retirement, but the amount of the retirement allowance so determined shall be reduced **at an amount determined by the board's actuary** to reflect the earlier commencement of benefits.

(2) **For a member who begins participating before September 1, 2008,** there shall be no reduction in the retirement allowance ~~if the~~<sup>[of a]</sup> member~~[who]~~ has twenty (20) or more years of service credit, at least fifteen (15) of which are current service.

(3) **For a member who begins participating on or after September 1, 2008, there shall be no reduction in the retirement allowance if the member has twenty-five (25) or more years of service credited under KRS 16.543(1), 61.543(1), or 78.615(1) or another state-administered retirement system.**

➔Section 10. KRS 61.510 is amended to read as follows:

As used in KRS ~~61.510~~<sup>[61.515]</sup> to 61.705, unless the context otherwise requires:



- 1 (1) "System" means the Kentucky Employees Retirement System created by KRS  
2 61.510~~[61.515]~~ to 61.705;
- 3 (2) "Board" means the board of trustees of the system as provided in KRS 61.645;
- 4 (3) "Department" means any state department or board or agency participating in the  
5 system in accordance with appropriate executive order, as provided in KRS 61.520.  
6 For purposes of KRS 61.510~~[61.515]~~ to 61.705, the members, officers, and  
7 employees of the General Assembly and any other body, entity, or instrumentality  
8 designated by executive order by the Governor, shall be deemed to be a department,  
9 notwithstanding whether said body, entity, or instrumentality is an integral part of  
10 state government;
- 11 (4) "Examiner" means the medical examiners as provided in KRS 61.665;
- 12 (5) "Employee" means the members, officers, and employees of the General Assembly  
13 and every regular full-time, appointed or elective officer or employee of a  
14 participating department, including the Department of Military Affairs. The term  
15 does not include persons engaged as independent contractors, seasonal, emergency,  
16 temporary, interim, and part-time workers. In case of any doubt, the board shall  
17 determine if a person is an employee within the meaning of KRS 61.510~~[61.515]~~ to  
18 61.705;
- 19 (6) "Employer" means a department or any authority of a department having the power  
20 to appoint or select an employee in the department, including the Senate and the  
21 House of Representatives, or any other entity, the employees of which are eligible  
22 for membership in the system pursuant to KRS 61.525;
- 23 (7) "State" means the Commonwealth of Kentucky;
- 24 (8) "Member" means any employee who is included in the membership of the system  
25 or any former employee whose membership has not been terminated under KRS  
26 61.535;

- 1 (9) "Service" means the total of current service and prior service as defined in this  
2 section;
- 3 (10) "Current service" means the number of years and months of employment as an  
4 employee, on and after July 1, 1956, except that for members, officers, and  
5 employees of the General Assembly this date shall be January 1, 1960, for which  
6 creditable compensation is paid and employee contributions deducted, except as  
7 otherwise provided, and each member, officer, and employee of the General  
8 Assembly shall be credited with a month of current service for each month he  
9 serves in the position;
- 10 (11) "Prior service" means the number of years and completed months, expressed as a  
11 fraction of a year, of employment as an employee, prior to July 1, 1956, for which  
12 creditable compensation was paid; except that for members, officers, and  
13 employees of the General Assembly, this date shall be January 1, 1960. An  
14 employee shall be credited with one (1) month of prior service only in those months  
15 he received compensation for at least one hundred (100) hours of work; provided,  
16 however, that each member, officer, and employee of the General Assembly shall  
17 be credited with a month of prior service for each month he served in the position  
18 prior to January 1, 1960. Twelve (12) months of current service in the system are  
19 required to validate prior service;
- 20 (12) "Accumulated contributions" at any time means the sum of all amounts deducted  
21 from the compensation of a member and credited to his individual account in the  
22 members' contribution account, including employee contributions picked up after  
23 August 1, 1982, pursuant to KRS 61.560(4), together with interest credited on such  
24 amounts and any other amounts the member shall have contributed thereto,  
25 including interest credited thereon;
- 26 (13) "Creditable compensation" means all salary, wages, tips to the extent the tips are  
27 reported for income tax purposes, and fees, including payments for compensatory

1 time, paid to the employee as a result of services performed for the employer or for  
2 time during which the member is on paid leave, which are includable on the  
3 member's federal form W-2 wage and tax statement under the heading "wages, tips,  
4 other compensation," including employee contributions picked up after August 1,  
5 1982, pursuant to KRS 61.560(4). For members of the General Assembly, it shall  
6 mean all amounts which are includable on the member's federal form W-2 wage  
7 and tax statement under the heading "wages, tips, other compensation," including  
8 employee contributions picked up after August 1, 1982, pursuant to KRS 6.505(4)  
9 or 61.560(4). A lump-sum bonus, severance pay, or employer-provided payment for  
10 purchase of service credit shall be included as creditable compensation but shall be  
11 averaged over the employee's total service with the system in which it is recorded if  
12 it is equal to or greater than one thousand dollars (\$1,000). In cases where  
13 compensation includes maintenance and other perquisites, the board shall fix the  
14 value of that part of the compensation not paid in money. Living allowances,  
15 expense reimbursements, lump-sum payments for accrued vacation leave, and other  
16 items determined by the board shall be excluded. Creditable compensation shall  
17 also include amounts which are not includable in the member's gross income by  
18 virtue of the member having taken a voluntary salary reduction provided for under  
19 applicable provisions of the Internal Revenue Code. Creditable compensation shall  
20 also include elective amounts for qualified transportation fringes paid or made  
21 available on or after January 1, 2001, for calendar years on or after January 1, 2001,  
22 that are not includable in the gross income of the employee by reason of 26 U.S.C.  
23 sec. 132(f)(4). **For employees who begin participating on or after September 1,**  
24 **2008, creditable compensation shall not include payments for compensatory time;**

25 (14) "Final compensation" of a member means:

- 26 (a) For a member who **begins participating before September 1, 2008, who** is not  
27 employed in a hazardous position, as provided in KRS 61.592, the creditable

1 compensation of the member during the five (5) fiscal years he was paid at the  
2 highest average monthly rate divided by the number of months of service  
3 credit during that five (5) year period multiplied by twelve (12). The five (5)  
4 years may be fractional and need not be consecutive. If the number of months  
5 of service credit during the five (5) year period is less than forty-eight (48),  
6 one (1) or more additional fiscal years shall be used; or

7 (b) For a member who is not employed in a hazardous position, as provided in  
8 KRS 61.592, whose effective retirement date is between August 1, 2001, and  
9 January 1, 2009, and whose total service credit is at least twenty-seven (27)  
10 years and whose age and years of service total at least seventy-five (75), final  
11 compensation means the creditable compensation of the member during the  
12 three (3) fiscal years the member was paid at the highest average monthly rate  
13 divided by the number of months of service credit during that three (3) years  
14 period multiplied by twelve (12). The three (3) years may be fractional and  
15 need not be consecutive. If the number of months of service credit during the  
16 three (3) year period is less than twenty-four (24), one (1) or more additional  
17 fiscal years shall be used. Notwithstanding the provision of KRS 61.565, the  
18 funding for this paragraph shall be provided from existing funds of the  
19 retirement allowance; or

20 (c) For a member who ***begins participating before September 1, 2008, who*** is  
21 employed in a hazardous position, as provided in KRS 61.592, the creditable  
22 compensation of the member during the three (3) fiscal years he was paid at  
23 the highest average monthly rate divided by the number of months of service  
24 credit during that three (3) year period multiplied by twelve (12). The three  
25 (3) years may be fractional and need not be consecutive. If the number of  
26 months of service credit during the three (3) year period is less than twenty-  
27 four (24), one (1) or more additional fiscal years shall be used; ***or***

1 (d) For a member who begins participating on or after September 1, 2008, who  
2 is not employed in a hazardous position, as provided in Section 17 of this  
3 Act, the creditable compensation of the member during the five (5) complete  
4 fiscal years immediately preceding retirement divided by five (5). Each fiscal  
5 year used to determine final compensation must contain twelve (12) months  
6 of service credit; or

7 (e) For a member who begins participating on or after September 1, 2008, who  
8 is employed in a hazardous position, as provided in Section 17 of this Act,  
9 the creditable compensation of the member during the three (3) complete  
10 fiscal years he was paid at the highest average monthly rate divided by three  
11 (3). Each fiscal year used to determine final compensation must contain  
12 twelve (12) months of service credit;

13 (15) "Final rate of pay" means the actual rate upon which earnings of an employee were  
14 calculated during the twelve (12) month period immediately preceding the  
15 member's effective retirement date, including employee contributions picked up  
16 after August 1, 1982, pursuant to KRS 61.560(4). The rate shall be certified to the  
17 system by the employer and the following equivalents shall be used to convert the  
18 rate to an annual rate: two thousand eighty (2,080) hours for eight (8) hour  
19 workdays, nineteen hundred fifty (1,950) hours for seven and one-half (7-1/2) hour  
20 workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve (12) months,  
21 one (1) year;

22 (16) "Retirement allowance" means the retirement payments to which a member is  
23 entitled;

24 (17) "Actuarial equivalent" means a benefit of equal value when computed upon the  
25 basis of the actuarial tables that are from time to time adopted by the board, except  
26 in cases of disability retirement, the options authorized by KRS 61.635 shall be  
27 computed by adding ten (10) years to the age of the member. No disability

1 retirement option shall be less than the same option computed under early  
2 retirement;

3 (18) "Normal retirement date" means the sixty-fifth birthday of a member, unless  
4 otherwise provided in KRS ~~61.510~~~~[61.515]~~ to 61.705;

5 (19) "Fiscal year" of the system means the twelve (12) months from July 1 through the  
6 following June 30, which shall also be the plan year;

7 (20) "Officers and employees of the General Assembly" means the occupants of those  
8 positions enumerated in KRS 6.150. The term shall also apply to assistants who  
9 were employed by the General Assembly for at least one (1) regular legislative  
10 session prior to July 13, 2004, who elect to participate in the retirement system, and  
11 who serve for at least six (6) regular legislative sessions. Assistants hired after July  
12 13, 2004, shall be designated as interim employees;

13 (21) "Regular full-time positions," as used in subsection (5) of this section, shall mean  
14 all positions that average one hundred (100) or more hours per month determined  
15 by using the number of months actually worked within a calendar or fiscal year,  
16 including all positions except:

17 (a) Seasonal positions, which although temporary in duration, are positions which  
18 coincide in duration with a particular season or seasons of the year and which  
19 may recur regularly from year to year, the period of time shall not exceed nine  
20 (9) months;

21 (b) Emergency positions which are positions which do not exceed thirty (30)  
22 working days and are nonrenewable;

23 (c) Temporary positions which are positions of employment with a participating  
24 department for a period of time not to exceed nine (9) months;

25 (d) Part-time positions which are positions which may be permanent in duration,  
26 but which require less than a calendar or fiscal year average of one hundred  
27 (100) hours of work per month, determined by using the number of months

1           actually worked within a calendar or fiscal year, in the performance of duty;  
2           and

3           (e) Interim positions which are positions established for a one-time or recurring  
4           need not to exceed nine (9) months;

5   (22) "Delayed contribution payment" means an amount paid by an employee for  
6       purchase of current service. The amount shall be determined using the same  
7       formula in KRS 61.5525, and the payment shall not be picked up by the employer.  
8       A delayed contribution payment shall be deposited to the member's contribution  
9       account and considered as accumulated contributions of the individual member. In  
10      determining payments under this subsection, the formula found in this subsection  
11      shall prevail over the one found in KRS 212.434;

12   (23) "Parted employer" means a department, portion of a department, board, or agency,  
13       such as Outwood Hospital and School, which previously participated in the system,  
14       but due to lease or other contractual arrangement is now operated by a publicly held  
15       corporation or other similar organization, and therefore is no longer participating in  
16       the system;

17   (24) "Retired member" means any former member receiving a retirement allowance or  
18       any former member who has filed the necessary documents for retirement benefits  
19       and is no longer contributing to the retirement system;

20   (25) "Current rate of pay" means the member's actual hourly, daily, weekly, biweekly,  
21       monthly, or yearly rate of pay converted to an annual rate as defined in final rate of  
22       pay. The rate shall be certified by the employer;

23   (26) "Beneficiary" means the person or persons or estate or trust or trustee designated by  
24       the member in accordance with KRS 61.542 or 61.705 to receive any available  
25       benefits in the event of the member's death. As used in KRS 61.702, "beneficiary"  
26       does not mean an estate, trust, or trustee;

- 1 (27) "Recipient" means the retired member or the person or persons designated as  
2 beneficiary by the member and drawing a retirement allowance as a result of the  
3 member's death or a dependent child drawing a retirement allowance. An alternate  
4 payee of a qualified domestic relations order shall be considered a recipient only for  
5 purposes of KRS 61.691;
- 6 (28) "Level-percentage-of-payroll amortization method" means a method of determining  
7 the annual amortization payment on the unfunded past service liability as expressed  
8 as a percentage of payroll over a set period of years. Under this method, the  
9 percentage of payroll shall be projected to remain constant for all years remaining  
10 in the set period and the unfunded past service liability shall be projected to be fully  
11 amortized at the conclusion of the set period;
- 12 (29) "Increment" means twelve (12) months of service credit which are purchased. The  
13 twelve (12) months need not be consecutive. The final increment may be less than  
14 twelve (12) months;
- 15 (30) "Person" means a natural person;
- 16 (31) "Retirement office" means the Kentucky Retirement Systems office building in  
17 Frankfort;
- 18 (32) "Last day of paid employment" means the last date employer and employee  
19 contributions are required to be reported in accordance with KRS 16.543, 61.543, or  
20 78.615 to the retirement office in order for the employee to receive current service  
21 credit for the month. Last day of paid employment does not mean a date the  
22 employee receives payment for accrued leave, whether by lump sum or otherwise,  
23 if that date occurs twenty-four (24) or more months after previous contributions;
- 24 (33) "Objective medical evidence" means reports of examinations or treatments; medical  
25 signs which are anatomical, physiological, or psychological abnormalities that can  
26 be observed; psychiatric signs which are medically demonstrable phenomena  
27 indicating specific abnormalities of behavior, affect, thought, memory, orientation,



1 or contact with reality; or laboratory findings which are anatomical, physiological,  
2 or psychological phenomena that can be shown by medically acceptable laboratory  
3 diagnostic techniques, including but not limited to chemical tests,  
4 electrocardiograms, electroencephalograms, X-rays, and psychological tests;

5 (34) "Participating" means an employee is currently earning service credit in the system  
6 as provided in KRS 61.543; and

7 (35) "Month" means a calendar month.

8 ➔Section 11. KRS 61.546 is amended to read as follows:

9 (1) Any member of the Kentucky Employees Retirement System or the State Police  
10 Retirement System whose retirement date is July 14, 1984, or thereafter, shall  
11 receive credit for unused sick leave accrued while contributing to the retirement  
12 system from which the retirement benefit is to be paid in accordance with this  
13 section.

14 (2) Upon the member's notification of retirement as prescribed in KRS 16.576 or  
15 61.590, the employer shall certify the retiring member's unused, accumulated sick  
16 leave balance to the system. The member's sick leave balance, expressed in days,  
17 shall be divided by the average number of working days per month in the state  
18 service and rounded to the nearest number of whole months. The member's sick  
19 leave balance, expressed in months, shall be added to his service credit for the  
20 purpose of determining his annual retirement allowance under KRS 61.510~~[16.510]~~  
21 to 16.652 or KRS 61.510 to 61.705 and for the purpose of determining whether the  
22 member is eligible to receive a retirement allowance under KRS 61.510~~[16.510]~~ to  
23 16.652 or KRS 61.510 to 61.705, except as provided by subsection (3) of this  
24 section. Accumulated sick leave in excess of six (6) months shall be added to the  
25 member's service credit, and the last participating Kentucky Employees Retirement  
26 Systems employer shall pay to the retirement system the value of the additional  
27 service credit based on the formula adopted by the board, except as provided by

1 subsection (3) of this section. All of a state policeman's sick leave balance,  
2 expressed in months, except as provided by subsection (3) of this section, shall be  
3 added to his service credit for the purposes of determining his annual retirement  
4 allowance and whether the member is eligible to receive a retirement allowance  
5 under KRS ~~16.505~~~~16.510~~ to 16.652.

6 (3) For a member who begins participating in the Kentucky Employees Retirement  
7 System or the State Police Retirement System on or after September 1, 2008:

8 (a) The member shall receive no more than twelve (12) months of service credit  
9 upon retirement for accumulated unused sick leave accrued while  
10 contributing to the retirement system or systems from which the retirement  
11 benefit is to be paid;

12 (b) The service credited for accumulated unused sick leave and added to the  
13 member's service credit shall be used for purposes of determining the  
14 member's annual retirement allowance under KRS 16.505 to 16.652 and  
15 61.510 to 61.705;

16 (c) The service credited for accumulated unused sick leave and added to the  
17 member's service credit shall not be used to determine whether a member is  
18 eligible to receive a retirement allowance under any of the provisions of  
19 KRS 16.505 to 16.652 and 61.510 to 61.705; and

20 (d) Except as provided by subsection (4) of this section, the value of any  
21 accumulated unused sick leave in excess of six (6) months that is added to  
22 the member's service credit in the Kentucky Employees Retirement System  
23 shall be paid to the retirement system by the last participating Kentucky  
24 Employees Retirement System employer based upon the formula adopted by  
25 the board.

26 (4) Notwithstanding any other provision of this section to the contrary, the value of  
27 any accumulated sick leave that is added to the member's service credit in the

*Kentucky Employees Retirement System or the State Police Retirement System on or after July 1, 2010, shall be paid to the retirement system by the last participating Kentucky Employees Retirement System or State Police Retirement System employer based upon a formula adopted by the board.*

**(5)** The provisions of this section shall not apply to a participating agency whose employees are not employed by the Commonwealth until the agency certifies to the system that a sick leave program has been formally adopted and is universally administered within the agency.

➔Section 12. KRS 61.552 is amended to read as follows:

(1) Any employee participating in one (1) of the state-administered retirement systems who has been refunded his accumulated contributions under the provisions of KRS 16.645(22), 61.625, or 78.545(15), thereby losing service credit, may regain the credit by paying to the system from which he received the refund or refunds the amount or amounts refunded with interest at a rate determined by the board of the respective retirement system. The payment, including interest as determined by the board, shall be deposited to the member's contribution account and considered as accumulated contributions of the individual member. The payments shall not be picked up, as described in KRS 61.560(4), by the employer.

(2) Any employee participating in one (1) of the retirement systems administered by Kentucky Retirement Systems, who has at least forty-eight (48) months of service if age sixty-five (65) or at least sixty (60) months of service if under age sixty-five (65) in the systems administered by the Kentucky Retirement Systems, and who did not elect membership in the County Employees Retirement System, as provided in KRS 78.540(2), may obtain credit in the County Employees Retirement System for prior service and for current service by paying to the County Employees Retirement System a delayed contribution payment for the service he would have received had he elected membership. The delayed contribution payment shall not be picked up,

1 as described in KRS 61.560(4), by the employer. Payment may be by lump sum or  
2 the employee may pay by increments.

3 (3) Any employee participating in one (1) of the retirement systems administered by  
4 Kentucky Retirement Systems, who has at least forty-eight (48) months of service if  
5 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five  
6 (65) in the systems administered by the Kentucky Retirement Systems, and who did  
7 not elect membership in the Kentucky Employees Retirement System, as provided  
8 in KRS 61.525(2), may obtain credit in the Kentucky Employees Retirement  
9 System for prior service and for current service by paying to the system a delayed  
10 contribution payment for the service he would have received had he elected  
11 membership. The delayed contribution payment shall not be picked up, as described  
12 in KRS 61.560(4), by the employer. Payment may be by lump sum or the employee  
13 may pay by increments.

14 (4) An employee participating in one (1) of the retirement systems administered by  
15 Kentucky Retirement Systems, who has at least forty-eight (48) months of service if  
16 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five  
17 (65) in the systems administered by the Kentucky Retirement Systems, may obtain  
18 credit in the Kentucky Employees Retirement System for current service between  
19 July 1, 1956, and the effective date of participation of his department by paying to  
20 the system a delayed contribution payment for the service he would have received  
21 had his department participated on July 1, 1956. The delayed contribution payment  
22 shall not be picked up, as described in KRS 61.560(4), by the employer. Payment  
23 may be by lump sum or the employee may pay by increments.

24 (5) (a) An employee participating in one (1) of the retirement systems administered  
25 by Kentucky Retirement Systems, who has at least forty-eight (48) months of  
26 service if age sixty-five (65) or at least sixty (60) months of service if under  
27 age sixty-five (65) in the systems administered by the Kentucky Retirement

1 Systems, may obtain credit in the County Employees Retirement System for  
2 current service between July 1, 1958, and the effective date of participation of  
3 his county by paying to the County Employees Retirement System a delayed  
4 contribution payment for the service he would have received had his county  
5 participated on July 1, 1958. The delayed contribution payment shall not be  
6 picked up, as described in KRS 61.560(4), by the employer.

7 (b) An employee participating in one (1) of the retirement systems administered  
8 by Kentucky Retirement Systems, who has at least forty-eight (48) months of  
9 service if age sixty-five (65) or at least sixty (60) months of service if under  
10 age sixty-five (65) in the systems administered by Kentucky Retirement  
11 Systems may obtain credit for the period of his service with an area  
12 development district created pursuant to KRS 147A.050 or with a business  
13 development corporation created pursuant to KRS 155.001 to 155.230 if that  
14 service was not covered by a state-administered retirement system. The  
15 member shall pay to the retirement system in which he participates a delayed  
16 contribution payment, as determined by the board's actuary. The employee  
17 may obtain credit for employment with a business development corporation  
18 only if the Kentucky Retirement Systems receives a favorable private letter  
19 ruling from the United States Internal Revenue Service or a favorable opinion  
20 letter from the United States Department of Labor. Payment may be by lump  
21 sum or the employee may pay by increments.

22 (6) After August 1, 2000, service credit obtained under the subsections of this section  
23 which do not require the employee to have a minimum number of years of service  
24 credit to be eligible to make a purchase shall be disallowed and the recontribution  
25 of refund, including interest as determined by the board or other payment, if any,  
26 shall be paid to the member if the member does not obtain for service performed six  
27 (6) months' additional current service credit in one (1) of the state-administered

1 retirement systems. The service requirement shall be waived if the member dies or  
2 becomes disabled as provided for by KRS 16.582 or 61.600.

3 (7) The members shall not receive benefit of service for the same period of time in  
4 another public defined benefit retirement fund.

5 (8) Any employee participating in one (1) of the retirement systems administered by  
6 Kentucky Retirement Systems who has at least forty-eight (48) months' service if  
7 age sixty-five (65) or at least sixty (60) months' service if under age sixty-five (65)  
8 in the retirement systems administered by the Kentucky Retirement Systems, who  
9 formerly worked for a state university in a position which would have qualified as a  
10 regular full-time position had the university been a participating department, and  
11 who did not participate in a defined benefit retirement program at the university  
12 may obtain credit in the employee's account in the County Employees Retirement  
13 System, the Kentucky Employees Retirement System, or the State Police  
14 Retirement System for prior and current service by paying either retirement system  
15 a delayed contribution payment for the service he would have received had his  
16 period of university employment been covered by the County Employees, Kentucky  
17 Employees Retirement System, or State Police Retirement System. The delayed  
18 contribution payment shall not be picked up, as described in KRS 61.560(4), by the  
19 employer. Payment may be by lump sum, or the employee may pay by increments.

20 (9) (a) Effective August 1, 1980, any county participating in the County Employees  
21 Retirement System may purchase current service, between July 1, 1958, and  
22 participation date of the county, for present employees of the county who  
23 have obtained coverage under KRS 78.540(2);

24 (b) Effective July 1, 1973, any department participating in the Kentucky  
25 Employees Retirement System may purchase current service between July 1,  
26 1956, and participation date of the department, for present employees of the

- 1 department who were employees on the participation date of the department  
2 and elected coverage under KRS 61.525(2);
- 3 (c) Cost of the service credit purchased under this subsection shall be determined  
4 by computing the discounted value of the additional service credit based on an  
5 actuarial formula recommended by the board's consulting actuary and  
6 approved by the board. A department shall make payment for the service  
7 credit within the same fiscal year in which the option is elected. The county  
8 shall establish a payment schedule subject to approval by the board for  
9 payment of the service credit. The maximum period allowed in a payment  
10 schedule shall be ten (10) years with interest at the rate actuarially assumed by  
11 the board; however, a shorter period is desirable and the board may approve  
12 any schedule provided it is not longer than a ten (10) year period;
- 13 (d) If a county or department elects the provisions of this subsection, any present  
14 employee who would be eligible to receive service credit under the provisions  
15 of this subsection and has purchased service credit under subsection (4) or (5)  
16 of this section shall have his payment for the service credit refunded with  
17 interest at the rate paid under KRS 61.575 or 78.640;
- 18 (e) Any payments made by a county or department under this subsection shall be  
19 deposited to the retirement allowance account of the proper retirement system  
20 and these funds shall not be considered accumulated contributions of the  
21 individual members.
- 22 (10) Interest paid by a member of the Kentucky Employees Retirement System, County  
23 Employees Retirement System, or State Police Retirement System under this  
24 section or other similar statutes under KRS ~~16.505~~~~[16.510]~~ to 16.652, ~~61.510~~~~[KRS~~  
25 ~~61.515]~~ to 61.705, or ~~78.510~~~~[KRS 78.520]~~ to 78.852 prior to June 19, 1976, shall be  
26 credited to the individual member's contribution account in the appropriate  
27 retirement system and considered as accumulated contributions of the member.

1 (11) Employees who served as assistants to officers and employees of the General  
2 Assembly who have at least forty-eight (48) months of service if age sixty-five (65)  
3 or at least sixty (60) months of service if under age sixty-five (65) in the systems  
4 administered by Kentucky Retirement Systems and who were unable to acquire  
5 service under KRS 61.510(20) may purchase credit for the service performed after  
6 January 1, 1960. Service credit under this section shall be obtained by the payment  
7 of a delayed contribution which shall not be picked up by the employer as described  
8 in KRS 61.560(4).

9 (12) (a) Effective August 1, 1988, any employee participating in one (1) of the  
10 retirement systems administered by Kentucky Retirement Systems who has at  
11 least forty-eight (48) months of service if age sixty-five (65) or at least sixty  
12 (60) months of service if under age sixty-five (65) in the systems administered  
13 by Kentucky Retirement Systems may purchase service credit for interim,  
14 seasonal, emergency, or temporary employment or part-time employment  
15 averaging one hundred (100) or more hours of work per month on a calendar  
16 or fiscal year basis. If the average number of hours of work is less than one  
17 hundred (100) per month, the member shall be allowed credit only for those  
18 months he receives creditable compensation for one hundred hours of work.  
19 The cost will be determined as a delayed contribution payment for the period  
20 of time involved, which shall not be picked up by the employer as described  
21 in KRS 61.560(4).

22 (b) Any noncertified employee of a school board who has at least forty-eight (48)  
23 months of service if age sixty-five (65) or at least sixty (60) months of service  
24 if under age sixty-five (65) in the systems administered by Kentucky  
25 Retirement Systems may purchase service credit for part-time employment  
26 prior to the 1990-91 school year which averaged eighty (80) or more hours of  
27 work per month on a calendar or fiscal year basis by paying to the County



1 Employees Retirement System a delayed contribution payment. The delayed  
2 contribution payment shall not be picked up, as described in KRS 78.610(4),  
3 by the employer. Payment may be by lump sum or the employee may pay by  
4 increments. If the average number of hours of work is less than eighty (80)  
5 per month, the noncertified employee of a school board shall be allowed  
6 credit only for those months he receives creditable compensation for eighty  
7 (80) hours of work. The cost will be determined as a delayed contribution  
8 payment, which shall not be picked up by the employer as described in KRS  
9 78.610(4).

10 (13) A retired member, who is contributing to one (1) of the state-administered  
11 retirement programs under the provisions of KRS 61.637(1) to (4) and purchases  
12 service credit under this section in the system or systems from which he is retired,  
13 shall have his retirement allowance recomputed:

14 (a) Upon termination from employment, if the member is contributing to the  
15 same system or systems from which he was retired; or

16 (b) Upon completion of six (6) months' service credit as required under  
17 subsection (6) of this section, if the member is contributing to a system other  
18 than the system or systems from which he is retired.

19 (14) Any employee participating in one (1) of the systems administered by Kentucky  
20 Retirement Systems who has at least forty-eight (48) months of service if age sixty-  
21 five (65) or at least sixty (60) months of service if under age sixty-five (65) in the  
22 systems administered by Kentucky Retirement Systems may obtain credit for prior  
23 or current service for any period of approved educational leave, or for agency-  
24 approved leave to work for a work-related labor organization if the agency  
25 subsequently participated in the County Employees Retirement System, by paying  
26 to the respective retirement system a delayed contribution payment. The employee  
27 may also obtain credit for agency-approved leave to work for a work-related labor

1 organization if the agency subsequently participated in the County Employees  
2 Retirement System, but only if the Kentucky Retirement Systems receives a  
3 favorable private letter ruling from the United States Internal Revenue Service or a  
4 favorable opinion letter from the United States Department of Labor. The delayed  
5 contribution payment shall not be picked up, as described in KRS 61.560(4), by the  
6 employer, and shall be deposited to the individual member's account.

7 (15) Any employee participating in one (1) of the retirement systems administered by  
8 Kentucky Retirement Systems who has at least forty-eight (48) months of service if  
9 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five  
10 (65) in the systems administered by Kentucky Retirement Systems may obtain  
11 credit for prior or current service for any period of authorized maternity leave,  
12 unpaid leave authorized under the Federal Family and Medical Leave Act, or for  
13 any period of authorized sick leave without pay, by paying to the respective  
14 retirement system a delayed contribution payment. The delayed contribution  
15 payment shall not be picked up, as described in KRS 61.560(4), by the employer,  
16 and shall be deposited to the individual member's account.

17 (16) Any employee participating in one (1) of the retirement systems administered by  
18 Kentucky Retirement Systems may purchase service credit under any of the  
19 provisions of KRS 16.505~~[16.510]~~ to 16.652, 16.510~~[61.515]~~ to 61.705, or  
20 78.510~~[78.520]~~ to 78.852 by making installment payments in lieu of a lump-sum  
21 payment.

22 (a) The cost of the service shall be computed in the same manner as for a lump-  
23 sum payment which shall be the principal; and interest, at the actuarial rate in  
24 effect at the time the member elects to make the purchase compounded  
25 annually, shall be added for the period that the installments are to be made.  
26 Multiple service purchases may be combined under a single installment  
27 purchase; however, no employee may make more than one (1) installment

1 purchase at the same time. Once multiple service purchases have been  
2 combined in an installment purchase, the employee may not separate the  
3 purchases or pay a portion of one (1) of the purchases. The employee may  
4 elect to stop the installment payments by notifying the retirement system; may  
5 have the installment purchase recalculated to add one (1) or more additional  
6 service purchases; or may pay by lump sum the remaining principal.

7 (b) One (1) year of installment payments shall be made for each one thousand  
8 dollars (\$1,000) or any part thereof of the total cost, except that the total  
9 period allowed for installments shall not be less than one (1) year and shall  
10 not exceed five (5) years.

11 (c) The employee shall pay the installments by payroll deduction. Upon  
12 notification by the retirement system, the employer shall report the installment  
13 payments either monthly or semimonthly continuously over each twelve (12)  
14 month period at the same time as, but separate from, regular employee  
15 contributions on the forms or by the computer format specified by the board.  
16 The payments made under this subsection shall be considered accumulated  
17 contributions of the member and shall not be picked up by the employer  
18 pursuant to KRS 61.560(4) and no employer contributions shall be paid on the  
19 installments.

20 (d) The retirement system shall determine how much of the total cost represents  
21 payment for one (1) month of the service to be purchased and shall credit one  
22 (1) month of service to the member's account each time this amount has been  
23 paid. The first service credited shall represent the first calendar month of the  
24 service to be purchased and each succeeding month of service credit shall  
25 represent the succeeding months of that service.

26 (e) If the employee elects to stop the installment payments, dies, retires, or does  
27 not continue employment in a position required to participate in the retirement

1 system, the member, or in the case of death, the beneficiary, shall have sixty  
2 (60) days to pay the remaining principal of the purchase by lump sum, except  
3 that payment by the member shall be made prior to the effective retirement  
4 date. If the member or beneficiary does not pay the remaining cost, the  
5 retirement system shall refund to the member or the beneficiary the payment,  
6 payments, or portion of a payment that does not represent a full month of  
7 service purchased.

8 (f) If the employer does not report installment payments on an employee for sixty  
9 (60) days, except in the case of employees on military leave or sick leave  
10 without pay, the installment purchase shall cease and the retirement system  
11 shall refund to the employee the payment, payments, or portion of a payment  
12 that does not represent a full month of service purchased. Installment  
13 payments of employees on military leave or sick leave without pay shall be  
14 suspended during the period of leave and shall resume without recalculation  
15 upon the employee's return from leave.

16 (g) If payments have ceased under paragraph (e) or (f) of this subsection and the  
17 member later becomes a participating employee in one (1) of the three (3)  
18 systems administered by Kentucky Retirement Systems, the employee may  
19 complete the adjusted original installment purchase by lump sum or  
20 installment payments. If the employee elects to renew the installment  
21 purchase, the cost of the remaining service shall be recalculated in accordance  
22 with paragraph (a) of this subsection. If the original installment purchase was  
23 for multiple service purchases, the employee may not separate those  
24 purchases under a new installment purchase.

25 (17) Any employee participating in one (1) of the retirement systems administered by  
26 Kentucky Retirement Systems may purchase service credit under any of the  
27 provisions of KRS 16.505~~[16.510]~~ to 16.652, 61.510~~[61.515]~~ to 61.705, or

1        ~~78.510~~~~[78.520]~~ to 78.852 by transferring funds through a direct trustee-to-trustee  
2        transfer as permitted under the applicable sections of the Internal Revenue Code  
3        and any regulations or rulings issued thereunder, or through a direct rollover as  
4        contemplated by and permitted under 26 U.S.C. sec. 401(a)(31) and any regulations  
5        or rulings issued thereunder. Service credit may also be purchased by a rollover of  
6        funds pursuant to and permitted under the rules specified in 26 U.S.C. sec. 402(c)  
7        and 26 U.S.C. sec. 408(d)(3). The Kentucky Retirement Systems shall accept the  
8        transfer or rollover to the extent permitted under the rules specified in the  
9        applicable provisions of the Internal Revenue Code and any regulations and rulings  
10       issued thereunder. The amount shall be credited to the individual member's  
11       contribution account in the appropriate retirement system and shall be considered  
12       accumulated contributions of the member.

13    (18) After August 1, 1998, any employee participating in one (1) of the retirement  
14       systems administered by Kentucky Retirement Systems who is age sixty-five (65)  
15       or older and has forty-eight (48) months of service credit or, if younger, who has  
16       sixty (60) months of service credit in systems administered by Kentucky Retirement  
17       Systems may purchase credit in the system in which the employee has the service  
18       credit for up to ten (10) years service in a regular full-time position that was  
19       credited to a state or local government-administered public defined benefit plan in  
20       another state other than a defined benefit plan for teachers. The employee shall pay  
21       a delayed contribution payment. Payment may be by lump sum, or the employee  
22       may pay by increments. The employee may transfer funds directly from the other  
23       state's plan if eligible to the extent permitted under subsection (17) of this section  
24       and to the extent permitted by the other state's laws and shall provide proof that he  
25       is not eligible for a retirement benefit for the period of service from the other state's  
26       plan.

- 1 (19) After August 1, 1998, any employee participating in one (1) of the retirement  
2 systems administered by Kentucky Retirement Systems, who has sixty (60) or more  
3 months of service in the State Police Retirement System or in a hazardous position  
4 in the Kentucky Employees Retirement System or the County Employees  
5 Retirement System, may purchase credit in the system in which the employee has  
6 the sixty (60) months of service credit for up to ten (10) years of service in a regular  
7 full-time position that was credited to a defined benefit retirement plan  
8 administered by a state or local government in another state, if the service could be  
9 certified as hazardous pursuant to KRS 61.592. The employee shall pay a delayed  
10 contribution payment. Payment may be by lump sum or by increments. The  
11 employee may transfer funds directly from the other unit of government's plan if  
12 eligible to the extent permitted under subsection (17) of this section and to the  
13 extent permitted by the other state's laws, and the employee shall provide proof that  
14 he is not eligible for a retirement benefit for the period of service from the other  
15 unit of government's plan.
- 16 (20) Any employee participating in one (1) of the retirement systems administered by  
17 Kentucky Retirement Systems who has at least forty-eight (48) months of service if  
18 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five  
19 (65) in the systems administered by Kentucky Retirement Systems and who has  
20 completed service as a volunteer in the Kentucky Peace Corps, created by KRS  
21 154.01-720, may purchase service credit for the time served in the corps by making  
22 delayed contribution payments.
- 23 (21) An employee participating in any retirement system administered by Kentucky  
24 Retirement Systems who has at least forty-eight (48) months of service if age sixty-  
25 five (65), or at least sixty (60) months of service if under age sixty-five (65) in the  
26 systems administered by Kentucky Retirement Systems, and who was formerly  
27 employed in a regional community mental health and mental retardation services

1 program, organized and operated under the provisions of KRS 210.370 to 210.480,  
2 which does not participate in a state-administered retirement system may obtain  
3 credit for the period of his service in the regional community mental health and  
4 mental retardation program, by paying to the state retirement system in which he  
5 participates a delayed contribution payment. Payment to one (1) of the retirement  
6 systems administered by the Kentucky Retirement Systems may be made by lump  
7 sum or in increments.

8 (22) An employee participating in one (1) of the retirement systems administered by  
9 Kentucky Retirement Systems who has at least forty-eight (48) months of service if  
10 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five  
11 (65) in the systems administered by the Kentucky Retirement Systems, who was  
12 employed by a vocational technical school in a noncertified part-time position  
13 averaging eighty (80) or more hours per month, determined by using the number of  
14 months actually worked within a calendar or fiscal year, may purchase service  
15 credit in the Kentucky Employees Retirement System. The cost of the service shall  
16 be a delayed contribution payment, which shall not be picked up by the employer as  
17 described in KRS 61.560(4).

18 (23) (a) Any person who is entitled to service credit for employment which was not  
19 reported in accordance with KRS 16.543, 61.543, or KRS 78.615 may obtain  
20 credit for the service by paying the employee contributions due within six (6)  
21 months of notification by the system. No interest shall be added to the  
22 contributions. The service credit shall not be credited to the member's account  
23 until the employer contributions are received. If a retired member makes the  
24 payment within six (6) months, the retired member's retirement allowance  
25 shall be adjusted to reflect the added service after the employer contributions  
26 are received by the retirement system.

1 (b) Any employee participating in one (1) of the state-administered retirement  
2 systems who is entitled to service credit under paragraph (a) of this subsection  
3 and who has not repaid the employee contributions due within six (6) months  
4 of notification by the system may regain the credit after the six (6) months by  
5 paying to the system the employee contributions plus interest at the actuarially  
6 assumed rate from the date of initial notification under paragraph (a) of this  
7 subsection. Service credit shall not be credited to the member's account until  
8 the employer contributions are received by the retirement system. The  
9 payments shall not be picked up, as described in KRS 61.560(4), by the  
10 employer.

11 (c) Service purchased under this subsection by employees who begin  
12 participating on or after September 1, 2008, shall be considered service  
13 credited under KRS 16.543(1), 61.543(1), or 78.615(1) for purposes of  
14 determining eligibility for retirement benefits under KRS 16.505 to 16.652,  
15 61.510 to 61.705, and 78.510 to 78.852.

16 (24) Any employee participating in one (1) of the retirement systems administered by  
17 Kentucky Retirement Systems who has at least forty-eight (48) months of service if  
18 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five  
19 (65) in the systems administered by the Kentucky Retirement Systems may  
20 purchase service credit for employment with a public agency that would have been  
21 eligible to participate under KRS 61.520 but which did not participate in the  
22 Kentucky Employees Retirement System or a political subdivision that would have  
23 been eligible to participate under KRS 78.530 but which did not participate in the  
24 County Employees Retirement System if the former public agency or political  
25 subdivision has merged with or been taken over by a participating department or  
26 county. The cost of the service shall be determined as a delayed contribution  
27 payment for the respective retirement system. Payment may be made by lump sum



1 or in increments. The payment shall not be picked up, as described in KRS  
2 61.560(4) or KRS 78.610(4), by the employer.

3 (25) Any employee participating in one (1) of the retirement systems administered by  
4 the Kentucky Retirement Systems prior to July 15, 2002, who has accrued at least  
5 forty-eight (48) months of service if age sixty-five (65) or at least sixty (60) months  
6 of service if under age sixty-five (65) in the systems administered by the Kentucky  
7 Retirement Systems and who has total service in all state-administered retirement  
8 systems of at least one hundred eighty (180) months of service credit may purchase  
9 a combined maximum total of five (5) years of retirement service credit which is  
10 not otherwise purchasable under any of the provisions of KRS ~~16.505~~~~[16.510]~~ to  
11 16.652, KRS 61.510 to 61.705, and KRS 78.510 to 78.852. The purchase price for  
12 the retirement service credit shall be calculated and paid for as a delayed  
13 contribution payment. The payment shall not be picked up, as described in KRS  
14 16.545(4), KRS 61.560(4), KRS 78.610(4), by the employer, and the employee's  
15 payment shall be paid into the individual member's contribution account in the  
16 appropriate retirement system and shall be considered accumulated contributions of  
17 the member. Payment by the member may be by lump sum or by increments. The  
18 service purchased under this subsection shall not be used in determining a  
19 retirement allowance until the member has accrued at least two hundred forty (240)  
20 months of service, excluding service purchased under this subsection. If the  
21 member does not accrue at least two hundred forty (240) months of service,  
22 excluding service purchased under this subsection, upon retirement, death, or  
23 written request following termination, the payment, plus interest as provided in  
24 KRS 61.575, shall be refunded.

25 (26) An employee participating in one (1) of the retirement systems administered by  
26 Kentucky Retirement Systems, who has at least forty-eight (48) months of service if  
27 age sixty-five (65), or at least sixty (60) months of service if under age sixty-five

1 (65), in the systems administered by Kentucky Retirement Systems, may obtain  
2 credit in the County Employees Retirement System for the period of that  
3 employee's service with a community action agency created under KRS 273.405 to  
4 273.453 if that service was not covered by a state-administered retirement system.

5 The member shall pay to the retirement system a delayed contribution payment.  
6 Payment may be made by lump sum or in increments. The payment shall not be  
7 picked up, as described in KRS 61.560(4) or 78.610(4), by the employer.

8 (27) Any employee participating in one (1) of the retirement systems administered by  
9 Kentucky Retirement Systems who has at least forty-eight (48) months of service if  
10 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five  
11 (65) in the retirement systems administered by the Kentucky Retirement Systems  
12 may obtain current service credit for up to forty-eight (48) months for his or her  
13 period of service as a Domestic Relations Commissioner by paying to the  
14 retirement system a delayed contribution payment no later than December 31, 2002.  
15 Payment may be made by lump sum or under an installment agreement. The  
16 payment shall not be picked up, as described in KRS 61.560(4), by the employer,  
17 and shall be deposited to the individual member's account.

18 (28) The board of trustees is authorized to establish a program, subject to a favorable  
19 ruling from the Internal Revenue Service, to provide for the purchase of service  
20 credit under any of the provisions of KRS ~~16.505~~~~[16.510]~~ to 16.552, ~~61.510~~~~[61.515]~~  
21 ~~to 61.705~~, and ~~78.510~~~~[78.520]~~ to 78.852, pursuant to the employer pick-up  
22 provisions in 26 U.S.C. sec. 414(h)(2).

23 (29) An employee may obtain credit for regular full-time service with an agency prior to  
24 August 1, 1998, for which the employee did not receive credit due to KRS  
25 61.637(1), by paying a delayed contribution. The payment shall not be picked up by  
26 the employer, except as provided in subsection (28) of this section, and shall be  
27 credited to the employee's second retirement account. Service credit obtained under

1       this subsection shall not be used in determining benefits under KRS 61.702. The  
2       employee may purchase credit for service prior to August 1, 1998, if:

3       (a)   The employee retired from one (1) of the retirement systems administered by  
4           the Kentucky Retirement Systems and was reemployed prior to August 1,  
5           1998, earning less than the maximum permissible earnings under the Federal  
6           Social Security Act;

7       (b)   The employee elected to participate in a second retirement account effective  
8           August 1, 1998, in accordance with KRS 61.637(7); and

9       (c)   The employee has at least forty-eight (48) months of service if age sixty-five  
10           (65), or at least sixty (60) months of service if under age sixty-five (65), in a  
11           second account in the systems administered by Kentucky Retirement Systems.

12   (30) An employee participating in one (1) of the retirement systems administered by the  
13       Kentucky Retirement Systems, who has at least forty-eight (48) months of service if  
14       age sixty-five (65) or at least sixty (60) months of service if under age sixty-five  
15       (65) in the systems administered by the Kentucky Retirement Systems, may obtain  
16       credit for the service in a regular full-time position otherwise creditable under the  
17       Kentucky Employees Retirement System, the County Employees Retirement  
18       System, or the State Police Retirement System for service in the United States  
19       government, other than service in the Armed Forces, for which service is not  
20       otherwise given, by paying to the system a delayed contribution payment. Payment  
21       may be made by lump sum or in increments. No payment made pursuant to this  
22       section shall be picked up by the employer, as described in KRS 61.560(4).

23   (31) An employee participating in a hazardous position in one (1) of the retirement  
24       systems administered by the Kentucky Retirement Systems, who has at least forty-  
25       eight (48) months of service if age sixty-five (65) or at least sixty (60) months of  
26       service if under age sixty-five (65) in the systems administered by the Kentucky  
27       Retirement Systems, may obtain credit for service in a regular full-time position in

an urban-county government that would qualify for hazardous duty coverage under KRS 61.592 by paying to the system a delayed contribution payment. Payment may be made by lump sum or in increments. No payment made pursuant to this section shall be picked up by the employer, as described in KRS 61.560(4).

➔Section 13. KRS 61.5525 is amended to read as follows:

- (1) Effective July 1, 2001, purchase of service under the provisions of KRS 16.505 to 16.652, KRS 61.510 to 61.705, and KRS 78.510 to 78.852, except as provided in subsection (2) of this section, shall be determined by multiplying the higher of the employee's current rate of pay, final rate of pay, or final compensation as of the end of the month in which the purchase is made times the actuarial factor times the number of years of service being purchased. Effective September 1, 2008, the actuarial factor used to determine the cost of purchasing service credit shall assume the earliest date the member may retire without a reduction in benefits and the cost-of-living adjustments provided to members upon retirement under Section 23 of this Act.
- (2) This provision shall not apply to KRS 61.552(1) and (23), or KRS 61.592(3)(c).
- (3) Service purchased on or after August 1, 2004, under the provisions of KRS 16.505 to 16.652, KRS 61.510 to 61.705, and KRS 78.510 to 78.852, except for service purchased under subsections (1) and (23) of KRS 61.552, shall not be used to determine eligibility for or the amount of the monthly insurance contribution under KRS 61.702.
- (4) For a member whose participation begins on or after August 1, 2004, service purchased under the provisions of KRS 16.505 to 16.652, KRS 61.510 to 61.705, and KRS 78.510 to 78.852, except for service purchased under subsections (1) and (23) of KRS 61.552, shall not be used to determine eligibility for a retirement allowance under disability retirement, early retirement, normal retirement, or death under any of the provisions of KRS 16.505 to 16.652, KRS 61.510 to 61.705, and

KRS 78.510 to 78.852. Purchased service shall only be used to determine the amount of the retirement allowance of a member who is eligible for a retirement allowance under disability, early retirement, normal retirement, or death under any of the provisions of KRS 16.505 to 16.652, KRS 61.510 to 61.705, and KRS 78.510 to 78.852, based on service earned as a participating employee.

➔Section 14. KRS 61.559 is amended to read as follows:

- (1) In lieu of any other benefits due under KRS 61.510 to 61.705 and KRS ~~78.510~~~~[78.520]~~ to 78.852, a member *who begins participating before September 1, 2008*, who has attained the age of sixty-five (65) and who has obtained at least one (1) month of service credit but no more than forty-seven (47) months of service may elect to receive an annual retirement allowance payable monthly or less frequently, as determined by the board, which shall be determined by multiplying his accumulated contributions by two (2) and converting this amount to an annual retirement allowance based on an annuity rate adopted by the board which would pay the actuarial equivalent of twice his accumulated contributions over the lifetime of the retired member.
- (2) A member *who begins participating before September 1, 2008, who is* sixty-five (65) years of age or older is eligible for a retirement allowance determined under KRS 61.595 provided such member has forty-eight (48) months of service, at least twelve (12) of which are current service, or a retirement allowance determined under KRS 61.595 prior to age sixty-five (65) provided:
  - (a) The member has attained age fifty-five (55) and has service of sixty (60) months at least twelve (12) of which are current service; or
  - (b) The member is a retired member of the State Police Retirement System, has attained age fifty-five (55), and has service of forty-eight (48) months at least twelve (12) of which are current service; or

- 1 (c) The member is less than age fifty-five (55) and has twenty-five (25) or more  
2 years of service, at least fifteen (15) of which are current service; or
- 3 (d) The member has thirty (30) or more years of service at least fifteen (15) of  
4 which are current service, or the member of the Kentucky Employees  
5 Retirement System or the County Employees Retirement System has twenty-  
6 seven (27) or more years of service, at least fifteen (15) of which are current  
7 service; or
- 8 (e) The member of the Kentucky Employees Retirement System has, at least,  
9 twenty-six (26) years of service credit, at least sixteen (16) of which are  
10 current consecutive years of service as a cabinet secretary or administrative  
11 head of one (1) of the three (3) branches of government; or
- 12 (f) The member has attained age fifty-five (55) and was an employee of a parted  
13 employer at the time his employer became ineligible to continue participation  
14 in the system, and his service in the system when added to his service with the  
15 parted employer subsequent to his separation from state government equals  
16 the early retirement service eligibility requirement of the system on the date  
17 his employer became ineligible to continue participation in the system.

18 **(3) A member who begins participating on or after September 1, 2008, is eligible for**  
19 **a retirement allowance determined under Section 18 of this Act if:**

- 20 **(a) The member is sixty-five (65) years of age or older and has at least five (5)**  
21 **years of service credited under KRS 16.543(1), 61.543(1), or 78.615(1) or**  
22 **another state-administered retirement system;**
- 23 **(b) The member is fifty-seven (57) years of age or older and has an age and**  
24 **years of service total of at least eighty-seven (87) years. The years of service**  
25 **used to determine eligibility for a retirement allowance under this**  
26 **paragraph shall only include years of service credited under KRS 16.543(1),**  
27 **61.543(1), or 78.615(1) or another state-administered retirement system; or**

1     (c) The member is sixty (60) years of age or older and has at least ten (10) years  
2             of service credited under KRS 16.543(1), 61.543(1), or 78.615(1) or another  
3             state-administered retirement system.

4     ➔Section 15. KRS 61.565 is amended to read as follows:

- 5     (1) Each employer participating in the State Police Retirement System as provided for  
6         in KRS 16.510 to 16.652, each employer participating in the County Employees  
7         Retirement System as provided for in KRS 78.520 to 78.852, and each employer  
8         participating in the Kentucky Employees Retirement System as provided for in  
9         KRS 61.515 to 61.705 shall contribute annually to the respective retirement system  
10        an amount equal to the percent, as computed under subsection (2) of this section, of  
11        the creditable compensation of its employees to be known as the "normal  
12        contributions," and an additional amount to be known as the "past service  
13        contribution" which shall be computed by amortizing the total unfunded past  
14        service liability over a period of thirty (30) years using the level-percentage-of-  
15        payroll method. This method shall be used beginning with the 1990 actuarial  
16        valuation. The initial thirty (30) year amortization period shall begin with the 1990  
17        valuation. Any significant increase in past service liability due to benefit  
18        improvements after the 1990 valuation shall be amortized using the level-  
19        percentage-of-payroll amortization method over a separate thirty (30) year period  
20        commencing in the year of the actuarial valuation in which the benefit  
21        improvements are first reflected.
- 22     (2) The normal contribution rate shall be determined by the entry age normal cost  
23         funding method. The past service liability shall be determined by actuarial method  
24         consistent with the methods prescribed for determining the normal contribution  
25         rate. Normal contributions and the past service liability contribution shall be  
26         determined on actuarial bases adopted by the board.

(3) Normal contribution and the past service contribution rates shall be determined by the board on the basis of the annual actuarial valuation last preceding the July 1 of a new biennium. The board may amend contribution rates as of July 1 of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy the requirements of subsections (1) and (2) of this section.

(4) The system shall advise each employer prior to the beginning of each biennium, or prior to July 1 of the second year of a biennium, of any change in the employer contribution rate. Based on the employer contribution rate, each employer shall include in the budget sufficient funds to pay the employer contributions as determined by the board under subsections (1) to (3) of this section.

(5) (a) It is the intent of the General Assembly to begin phasing into the full actuarially required contribution rates for the Kentucky Employees Retirement System and the State Police Retirement System.

(b) For the employer contribution rate for the Kentucky Employees Retirement System pertaining to nonhazardous employees, it is the intent of the General Assembly to work towards the goal of contributing the actuarially required employer contribution as follows:

1. Forty-four percent (44%) of the actuarially required contribution for the fiscal year beginning July 1, 2010;

2. Forty-eight percent (48%) of the actuarially required contribution for the fiscal year beginning July 1, 2011;

3. Fifty-three percent (53%) of the actuarially required contribution for the fiscal year beginning July 1, 2012;

4. Fifty-seven percent (57%) of the actuarially required contribution for the fiscal year beginning July 1, 2013;



- 1        5. Sixty-one percent (61%) of the actuarially required contribution for
- 2        the fiscal year beginning July 1, 2014;
- 3        6. Sixty-five percent (65%) of the actuarially required contribution for
- 4        the fiscal year beginning July 1, 2015;
- 5        7. Sixty-nine percent (69%) of the actuarially required contribution for
- 6        the fiscal year beginning July 1, 2016;
- 7        8. Seventy-three percent (73%) of the actuarially required contribution
- 8        for the fiscal year beginning July 1, 2017;
- 9        9. Seventy-seven percent (77%) of the actuarially required contribution
- 10       for the fiscal year beginning July 1, 2018;
- 11       10. Eighty-one percent (81%) of the actuarially required contribution for
- 12       the fiscal year beginning July 1, 2019;
- 13       11. Eighty-five percent (85%) of the actuarially required contribution for
- 14       the fiscal year beginning July 1, 2020;
- 15       12. Eighty-nine percent (89%) of the actuarially required contribution for
- 16       the fiscal year beginning July 1, 2021;
- 17       13. Ninety-three percent (93%) of the actuarially required contribution for
- 18       the fiscal year beginning July 1, 2022;
- 19       14. Ninety-seven percent (97%) of the actuarially required contribution
- 20       for the fiscal year beginning July 1, 2023; and
- 21       15. One-hundred percent (100%) of the actuarially required contribution
- 22       for the fiscal year beginning July 1, 2024.
- 23       (c) For the employer contribution rate for the Kentucky Employees Retirement
- 24       System pertaining to hazardous employees, it is the intent of the General
- 25       Assembly to work towards the goal of contributing the full actuarially
- 26       required employer contribution as follows:

- 1        1. Seventy-six percent (76%) of the actuarially required contribution for
- 2        the fiscal year beginning July 1, 2010;
- 3        2. Seventy-nine percent (79%) of the actuarially required contribution
- 4        for the fiscal year beginning July 1, 2011;
- 5        3. Eighty-three percent (83%) of the actuarially required contribution for
- 6        the fiscal year beginning July 1, 2012;
- 7        4. Eighty-six percent (86%) of the actuarially required contribution for
- 8        the fiscal year beginning July 1, 2013;
- 9        5. Eighty-nine percent (89%) of the actuarially required contribution for
- 10       the fiscal year beginning July 1, 2014;
- 11       6. Ninety-two percent (92%) of the actuarially required contribution for
- 12       the fiscal year beginning July 1, 2015;
- 13       7. Ninety-five percent (95%) of the actuarially required contribution for
- 14       the fiscal year beginning July 1, 2016;
- 15       8. Ninety-eight percent (98%) of the actuarially required contribution for
- 16       the fiscal year beginning July 1, 2017; and
- 17       9. One-hundred percent (100%) of the actuarially required contribution
- 18       the for fiscal year beginning July 1, 2018.
- 19       (c) For the employer contribution rate for the State Police Retirement System,
- 20       it is the intent of the General Assembly to work towards the goal of
- 21       contributing the full actuarially required employer contribution as follows:
- 22       1. Sixty percent (60%) of the actuarially required contribution for the
- 23       fiscal year beginning July 1, 2010;
- 24       2. Sixty-five percent (65%) of the actuarially required contribution for
- 25       the fiscal year beginning July 1, 2011;
- 26       3. Seventy percent (70%) of the actuarially required contribution for the
- 27       fiscal year beginning July 1, 2012;

- 1           4. Seventy-five percent (75%) of the actuarially required contribution for  
2           the fiscal year beginning July 1, 2013;
- 3           5. Eighty percent (80%) of the actuarially required contribution for the  
4           fiscal year beginning July 1, 2014;
- 5           6. Eighty-five percent (85%) of the actuarially required contribution for  
6           the fiscal year beginning July 1, 2015;
- 7           7. Ninety percent (90%) of the actuarially required contribution for the  
8           fiscal year beginning July 1, 2016;
- 9           8. Ninety-five percent (95%) of the actuarially required contribution for  
10           the fiscal year beginning July 1, 2017;
- 11           9. Ninety-eight percent (98%) of the actuarially required contribution for  
12           the fiscal year beginning July 1, 2018; and
- 13           10. One-hundred percent (100%) of the actuarially required contribution  
14           for the fiscal year beginning July 1, 2019.

15           ➔Section 16. KRS 61.575 is amended to read as follows:

- 16       (1) The members' contribution account shall be the account to which all members'  
17       contributions, or contributions picked up by the employer after August 1, 1982, and  
18       interest allowances as provided in KRS 61.510 to 61.692 shall be credited. From  
19       this account shall be paid the accumulated contributions of a member required to be  
20       returned to him upon withdrawal, or paid in the event of his death before retirement.  
21       Prior to the member's retirement, death, or refund in accordance with KRS 61.625,  
22       no funds shall be made available from the member contribution account.
- 23       (2) Each member's contribution or contribution picked up by the employer shall be  
24       credited to the individual account of the contributing member.
- 25       (3) Each member on June 30 of each year shall have his individual account credited  
26       with interest.

- 1 (a) For a member who begins participating before September 1, 2008, interest  
2 shall be credited to his individual account at a rate determined by the board  
3 but not less than two percent (2%) per annum on the accumulated  
4 contributions of the member on June 30 of the preceding fiscal year.
- 5 (b) For a member who begins participating on or after September 1, 2008,  
6 interest shall be credited to his individual account at a rate of two and one-  
7 half percent (2.5%) per annum on the accumulated contributions of the  
8 member on June 30 of the preceding fiscal year.~~[and]~~

9 The amounts ~~of interest~~~~[so]~~ credited to a member's account under this subsection  
10 shall be transferred from the retirement allowance account.

- 11 (4) Upon the retirement of a member, his accumulated contributions shall be  
12 transferred from the members' contribution account to the retirement allowance  
13 account.

14 ➔Section 17. KRS 61.592 is amended to read as follows:

- 15 (1) (a) "Hazardous position" for employees participating in the Kentucky  
16 Employees Retirement System, and for employees who begin participating  
17 in the County Employees Retirement System before September 1, 2008,  
18 means:

- 19 1. Any position whose principal duties involve active law enforcement,  
20 including the positions of probation and parole officer and  
21 Commonwealth detective, active fire suppression or prevention, or other  
22 positions, including, but not limited to, pilots of the Transportation  
23 Cabinet and paramedics and emergency medical technicians, with duties  
24 that require frequent exposure to a high degree of danger or peril and  
25 also require a high degree of physical conditioning; and
- 26 2. Positions in the Department of Corrections in state correctional  
27 institutions and the Kentucky Correctional Psychiatric Center with

1 duties that regularly and routinely require face-to-face contact with  
2 inmates.

3 (b) "Hazardous position" for employees who begin participating in the County  
4 Employees Retirement System on or after September 1, 2008, means police  
5 officers and firefighters as defined in KRS 61.315(1), paramedics,  
6 correctional officers with duties that routinely and regularly require face-to-  
7 face contact with inmates, and emergency medical technicians if:

8 1. The employee's duties require frequent exposure to a high degree of  
9 danger or peril and a high degree of physical conditioning; and

10 2. The employee's duties are not primarily clerical or administrative.

11 (c) The effective date of participation under hazardous duty coverage for  
12 positions in the Office of Alcoholic Beverage Control shall be April 1, 1998.  
13 The employer and employee contributions shall be paid by the employer and  
14 forwarded to the retirement system for the period not previously reported.

15 (2) (a) Each employer may request of the board hazardous duty coverage for those  
16 positions as defined in subsection (1) of this section~~[-, but a county, narrowly~~  
17 ~~defined as one (1) of Kentucky's one hundred and twenty (120) counties, the~~  
18 ~~provisions of KRS 78.510(3) notwithstanding, shall request hazardous duty~~  
19 ~~coverage for its full-time paid firefighters].~~ Upon request, each employer shall  
20 certify to the system, in the manner prescribed by the board, the names of all  
21 employees working in a hazardous position as defined in subsection (1) of this  
22 section for which coverage is requested. The certification of the employer  
23 shall bear the approval of the agent or agency responsible for the budget of the  
24 department or county indicating that the required employer contributions have  
25 been provided for in the budget of the employing department or county. The  
26 system shall determine whether the employees whose names have been

1 certified by the employer are working in positions meeting the definition of a  
2 hazardous position as provided by subsection (1) of this section.

3 (b) Each employer desiring to provide hazardous duty coverage to employees  
4 who begin participating in the County Employees Retirement System on or  
5 after September 1, 2008, may request that the board approve hazardous duty  
6 coverage for those positions that meet the criteria set forth in paragraph (b)  
7 of subsection (1) of this section. Each employer shall certify to the system,  
8 in the manner prescribed by the board, the names of all employees working  
9 in a hazardous position as defined in paragraph (b) of subsection (1) of this  
10 section for which coverage is requested and a job description for each  
11 position or employee. The certification of the employer shall bear the  
12 approval of the agent or agency responsible for the budget of the  
13 department or county indicating that the required employer contributions  
14 have been provided for in the budget of the employing department or  
15 county. Each employer shall also certify, under penalty of perjury in  
16 accordance with KRS Chapter 523, that each employee's actual job duties  
17 are accurately reflected in the job description provided to the systems. The  
18 systems shall determine whether the employees whose names have been  
19 certified by the employer are working in positions meeting the definition of  
20 a hazardous position as defined in paragraph (b) of subsection (1) of this  
21 section. The board shall have the authority to remove any employee from  
22 hazardous duty coverage if the board determines the employee is not  
23 working in a hazardous duty position or if the employee is classified in a  
24 hazardous duty position but has individual job duties that do not meet the  
25 definition of a hazardous duty position or are not accurately reflected in the  
26 job descriptions filed by the employer with the systems.

- 1     (3)   (a)   An employee participating in the Kentucky Employees Retirement System  
2           who is determined by the system to be working in a hazardous position in  
3           accordance with subsection (2) of this section shall contribute, for each pay  
4           period for which he receives compensation, eight percent (8%) of his  
5           creditable compensation. An employee participating in the County Employees  
6           Retirement System who is determined by the system to be working in a  
7           hazardous duty position in accordance with subsection (2) of this section shall  
8           contribute, for each pay period for which he receives compensation, eight  
9           percent (8%) of his creditable compensation;
- 10       (b)   Each employer shall pay employer contributions based on the creditable  
11       compensation of the employees determined by the system to be working in a  
12       hazardous position at the employer contribution rate as determined by the  
13       board. The rate shall be determined by actuarial methods consistent with the  
14       provisions of KRS 61.565;
- 15       (c)   If the employer participated in the system prior to electing hazardous duty  
16       coverage, the employer may pay to the system the cost of converting the  
17       nonhazardous service to hazardous service from the date of participation to  
18       the date the payment is made, or the employer may establish a payment  
19       schedule for payment of the cost of the hazardous service above that which  
20       would be funded within the existing employer contribution rate. The employer  
21       may extend the payment schedule to a maximum of thirty (30) years.  
22       Payments made by the employer under this subsection shall be deposited to  
23       the retirement allowance account of the proper retirement system and these  
24       funds shall not be considered accumulated contributions of the individual  
25       members. If the employer elects not to make the additional payment, the  
26       employee may make the lump-sum payment in his own behalf or may pay by  
27       increments. Payments made by the employee under this subsection shall not

1 be picked up, as described in KRS 61.560(4), by the employer. If neither the  
2 employer nor employee makes the payment, the service prior to hazardous  
3 coverage shall remain nonhazardous.

4 (4) The normal retirement age, retirement allowance, other benefits, eligibility  
5 requirements, rights, and responsibilities of a member in a hazardous position, as  
6 prescribed by subsections (1), (2), and (3) of this section, and the responsibilities,  
7 rights, and requirements of his employer shall be as prescribed for a member and  
8 employer participating in the State Police Retirement System as provided for by  
9 KRS ~~16.505~~~~[16.510]~~ to 16.652.

10 (5) Any person employed in a hazardous position after July 1, 1972, shall be required  
11 to undergo a thorough medical examination by a licensed physician, and a copy of  
12 the medical report of the physician shall be retained on file by the employee's  
13 department or county and made available to the system upon request.

14 (6) If doubt exists regarding the benefits payable to a hazardous position employee  
15 under this section, the board shall determine the benefits payable under KRS  
16 ~~16.510~~~~[61.515]~~ to 61.705, or ~~78.510~~~~[78.520]~~ to 78.852, or ~~16.505~~ 16.510 to 16.652.

17 ➔Section 18. KRS 61.595 is amended to read as follows:

18 (1) Effective July 1, 1990, upon retirement at normal retirement date or subsequent  
19 thereto, a member may receive an annual retirement allowance, payable monthly  
20 during his lifetime, which shall consist of an amount equal to two and two-tenths  
21 percent (2.2%) for the County Employees Retirement System and one and ninety-  
22 seven hundredths percent (1.97%) for the Kentucky Employees Retirement System  
23 of final compensation multiplied by the number of years of service credit, except  
24 that:

25 (a) Effective February 1, 1999, a member of the Kentucky Employees Retirement  
26 System who was participating in one of the state-administered retirement  
27 systems as of January 1, 1998, and continues to participate through January 1,



1999, shall receive an annual retirement allowance, payable monthly during his lifetime, which shall consist of an amount equal to two percent (2%) of final compensation multiplied by the number of years of service credit. Any Kentucky Employees Retirement System member whose effective date of retirement is between February 1, 1999, and January 31, 2009, and who has at least twenty (20) years of service credit in one of the state-administered retirement systems and who was participating in one of the state-administered retirement systems as of January 1, 1998, and continues to participate through January 1, 1999, shall receive an annual retirement allowance, payable monthly during his lifetime, which shall consist of an amount equal to two and two-tenths percent (2.2%) of final compensation multiplied by the number of years of service credit. Notwithstanding the provisions of KRS 61.565, the funding for this paragraph shall be provided from existing funds of the retirement allowance account;

(b) For a member of the County Employees Retirement System whose participation begins on or after August 1, 2004, the annual retirement allowance upon retirement at normal retirement date or later shall be equal to two percent (2%) of final compensation multiplied by the number of years of service credit and shall be payable monthly during his lifetime;

(c) The annual normal retirement allowance for members of the General Assembly, who serve during the 1974 or 1976 General Assembly, and will have eight (8) years or more of total legislative service as of January 6, 1978, shall not be less than two hundred forty dollars (\$240) multiplied by the number of years of service as a member of the General Assembly;

(d) *For a member of the Kentucky Employees Retirement System or the County Employees Retirement System who begins participating on or after*

September 1, 2008, the annual retirement allowance upon retirement shall be equal to:

1. a. One and one-tenth percent (1.1%) of final compensation for each year of service if the member has earned ten (10) or less years of service at retirement; or

b. One and three-tenths percent (1.3%) of final compensation for each year of service if the member has earned greater than ten (10) but no more than twenty (20) years of service at retirement; or

c. One and one-half percent (1.5%) of final compensation for each year of service if the member has earned greater than twenty (20) but no more than twenty-six (26) years of service at retirement; or

d. One and three-quarters percent (1.75%) of final compensation for each year of service if the member has earned greater than twenty-six (26) but no more than thirty (30) years of service at retirement; and

2. Two percent (2.0%) of final compensation for each year of service earned in excess of thirty (30) years of service at retirement;

(e) The annual normal retirement allowance for members of the General Assembly who will have fewer than eight (8) years of service as of December 31, 1975, shall be as prescribed in Chapter 116, section 36(1), Acts of the 1972 General Assembly for legislative service prior to January 1, 1974;

~~(f)~~(e) Former members of the General Assembly who have eight (8) or more years of legislative service prior to the 1976 Regular Session are eligible for an increased retirement allowance of two hundred forty dollars (\$240) times the years of legislative service, if the member pays to the Kentucky

1 Employees Retirement System thirty-five percent (35%) of the actuarial cost  
2 of the higher benefit, as determined by the system, except that a former  
3 member with sixteen (16) or more years of legislative service, or his  
4 beneficiary, who is receiving a retirement allowance, also is eligible under  
5 this section and may apply for a recomputation of his retirement allowance.  
6 The employer's share of sixty-five percent (65%) of the computed actuarial  
7 cost shall be paid from the State Treasury to the Kentucky Employees  
8 Retirement System upon presentation of a properly documented claim to the  
9 Finance and Administration Cabinet. If any member with sixteen (16) or more  
10 years of legislative service previously applied for and is receiving a retirement  
11 allowance, he may reapply and his retirement allowance shall be recomputed  
12 in accordance with this paragraph, and he shall thereafter be paid in  
13 accordance with the option selected by him at the time of the reapplication;

14 ~~(g)(f)~~ The annual normal retirement allowance for a member with ten (10) or  
15 more years of service, in the Kentucky Employees Retirement System, at least  
16 one (1) of which is current service, shall not be less than five hundred twelve  
17 dollars (\$512); and

18 ~~(h)(g)~~ The annual retirement allowance for a member of the Kentucky employees  
19 retirement system or County Employees Retirement System shall not exceed  
20 the maximum benefit as set forth in the Internal Revenue Code.

21 (2) (a) Upon service retirement prior to normal retirement date, a member may  
22 receive an annual retirement allowance payable monthly during his lifetime  
23 which shall be determined in the same manner as for retirement at his normal  
24 retirement date with years of service and final compensation being determined  
25 as of the date of his actual retirement, but the amount of the retirement  
26 allowance so determined shall be reduced at an amount determined by the  
27 board's actuary to reflect the earlier commencement of benefits.

- 1 (b) A member of the Kentucky Employees Retirement System or the County  
2 Employees Retirement System who begins participating before September 1,  
3 2008, who has twenty-seven (27) or more years of service credit, at least  
4 fifteen (15) of which are current service, may retire with no reduction in the  
5 retirement allowance. A member who begins participating before September  
6 1, 2008, who has earned vested service credit in a retirement system, other  
7 than the Teachers' Retirement System, sponsored by a Kentucky institution of  
8 higher education, the Council on Postsecondary Education, or the Higher  
9 Education Assistance Authority, may count the vested service toward  
10 attaining the necessary years of service credit as provided in KRS  
11 61.559(2)(c) and (d) to qualify for a retirement allowance. The credit from a  
12 Kentucky institution of higher education, the Council on Postsecondary  
13 Education, or the Higher Education Assistance Authority shall not be used  
14 toward the minimum fifteen (15) years of current service required by KRS  
15 61.559(2)(c) and (d) or to calculate his retirement allowance pursuant to this  
16 section. The provisions of this paragraph shall not be construed to limit the  
17 use of Teachers' Retirement System credit pursuant to KRS 61.680(2)(a).
- 18 (c) A member of the Kentucky Employees Retirement System or the County  
19 Employees Retirement System who begins participating on or after  
20 September 1, 2008, may retire with no reduction in benefits if the member is  
21 fifty-seven (57) years of age or older and has an age and years of service  
22 total of at least eighty-seven (87) years. The years of service used to  
23 determine eligibility for an unreduced retirement allowance under this  
24 paragraph shall only include years of service credited under KRS 16.543(1),  
25 61.543(1), or 78.615(1) or another state-administered retirement system.
- 26 (3) The retirement allowance shall be calculated by using the member's known  
27 creditable compensation prior to his last month's employment and an estimate of his

1       creditable compensation during the last month he was employed. Based upon this  
2       calculation, the State Treasurer shall be requested to issue the initial retirement  
3       payment.

- 4       (4) A new calculation shall be made when the official report has been received of the  
5       member's creditable compensation during his last month's employment. However,  
6       the retirement allowance determined in accordance with subsection (3) of this  
7       section shall be the official retirement allowance unless the new calculation derives  
8       an amount which is two dollars (\$2) greater or less than the amount of the initial  
9       retirement payment. If the member or beneficiary chose an actuarial equivalent  
10      refund payment option, the amount of estimated retirement allowance shall be the  
11      official retirement allowance unless the new calculation produces an amount which  
12      is one hundred dollars (\$100) greater or less than the amount of the initial  
13      retirement payment.

14      ➔Section 19. KRS 61.635 is amended to read as follows:

- 15      (1) Each member shall have the right to elect to have his retirement allowance payable  
16      under any one (1) of the options set forth in this section in lieu of the retirement  
17      allowance otherwise payable to him upon retirement under any of the provisions of  
18      KRS ~~16.505~~~~[16.510]~~ to 16.652, ~~61.510~~~~[KRS 61.515]~~ to 61.705, and ~~78.510~~~~[KRS~~  
19      ~~78.520]~~ to 78.852. The amount of any optional retirement allowance shall be  
20      actuarially equivalent to the amount of retirement allowance otherwise payable to  
21      him.
- 22      (2) Survivorship one hundred percent (100%). The member may elect to receive a  
23      decreased retirement allowance during his lifetime and have the retirement  
24      allowance continued after his death to his beneficiary during the lifetime of the  
25      person.
- 26      (3) Survivorship sixty-six and two-thirds percent (66-2/3%). The member may elect to  
27      receive a decreased retirement allowance during his lifetime and have two-thirds

1 (2/3) of the retirement allowance continue after his death to his beneficiary during  
2 the lifetime of the person.

3 (4) Survivorship fifty percent (50%). The member may elect to receive a decreased  
4 retirement allowance during his lifetime and have one-half (1/2) of the retirement  
5 allowance continued after his death to his beneficiary during the lifetime of the  
6 person.

7 (5) Life with ten (10) years certain. The member less than age seventy-six (76) may  
8 elect to receive a monthly retirement allowance during his lifetime which shall  
9 guarantee payments for one hundred twenty (120) months. If the member dies  
10 before receiving payments for one hundred twenty (120) months, his beneficiary  
11 shall receive the remaining payments monthly, for the duration of the one hundred  
12 twenty (120) months' period. However, if the trust is designated as beneficiary, the  
13 trustee of the trust may elect to receive a lump sum payment which shall be the  
14 actuarial equivalent to the remaining payments, or the trustee may elect to continue  
15 the remaining monthly payments to the trust of the member. If the estate is  
16 designated as beneficiary, the estate shall receive a lump-sum payment which shall  
17 be the actuarial equivalent to the remaining payments.

18 (6) Life with fifteen (15) years certain. The member less than age sixty-eight (68) may  
19 elect to receive a monthly retirement allowance during his lifetime which shall  
20 guarantee payments for one hundred and eighty (180) months. If the member dies  
21 before receiving payments for one hundred and eighty (180) months, his beneficiary  
22 shall receive the remaining payments monthly for the duration of the one hundred  
23 and eighty (180) months' period. However, if the trust is designated as beneficiary,  
24 the trustee of the trust may elect to receive a lump sum payment which shall be the  
25 actuarial equivalent to the remaining payments, or the trustee may elect to continue  
26 the remaining payments to the trust of the member. If the estate is designated as

1 beneficiary, the estate shall receive a lump-sum payment which shall be the  
2 actuarial equivalent to the remaining payments.

3 (7) Life with twenty (20) years certain. The member less than age sixty-two (62) may  
4 elect to receive a monthly retirement allowance during his lifetime which shall  
5 guarantee payments for two hundred and forty (240) months. If the member dies  
6 before receiving payments for two hundred and forty (240) months, his beneficiary  
7 shall receive the remaining payments for the duration of the two hundred and forty  
8 (240) months period. However, if the trust is beneficiary, the trustee of the trust  
9 may elect to receive a lump sum payment which shall be the actuarial equivalent to  
10 the remaining payments, or the trustee may elect to continue the remaining  
11 payments to the trust of the member. If the estate is designated as beneficiary, the  
12 estate shall receive a lump-sum payment which shall be the actuarial equivalent to  
13 the remaining payments.

14 (8) Social Security adjustment options. These options shall be available to any member  
15 who has not attained age sixty-two (62) as follows:

16 (a) No survivor rights. The member may elect to receive an increased retirement  
17 allowance from his effective retirement date through the month he attains age  
18 sixty-two (62) at which time his retirement allowance shall be decreased for  
19 the remainder of his lifetime;

20 (b) Survivor rights. The member may elect to receive an increased retirement  
21 allowance from his effective retirement date through the month he attains age  
22 sixty-two (62) based on the option payable under subsection (2) of this  
23 section, if the retirement allowance shall be decreased in the month following  
24 the month he attains age sixty-two (62), or the month following the month he  
25 would have attained age sixty-two (62), in event of his death, and have the  
26 retirement allowance continue after his death to his beneficiary during the  
27 lifetime of the person.

- 1 (9) Beneficiary Social Security adjustment option. This option is available to the  
2 beneficiary of a deceased member if the beneficiary, who is a person, has not  
3 attained age sixty (60), and is eligible to receive Social Security payments at age  
4 sixty (60). The beneficiary may elect to receive during his lifetime an increased  
5 retirement allowance based on his annual benefit payable for life. The payment  
6 shall begin on his effective retirement date and continue through the month he  
7 attains age sixty (60) at which time his retirement allowance shall be decreased for  
8 the remainder of his lifetime.
- 9 (10) Pop-up option. The member may elect to receive a decreased retirement allowance  
10 during his lifetime and have the retirement allowance continued after his death to  
11 his beneficiary during the lifetime of the person. If the beneficiary dies prior to the  
12 member, or if the beneficiary is the member's spouse and they divorce, the  
13 member's retirement allowance shall increase to the amount that would have been  
14 payable as a single life annuity.
- 15 (11) Actuarial equivalent refund. The member may elect to receive a one (1) time lump-  
16 sum payment which shall be the actuarial equivalent of the amount payable for a  
17 period of sixty (60) months under KRS 61.595 (1).
- 18 (12) Partial lump sum option.
- 19 (a) No survivor rights. ~~A[The]~~ member **retiring on or before January 1, 2009,**  
20 may elect to receive a one-time lump-sum payment equal to twelve (12),  
21 twenty-four (24), or thirty-six (36) monthly retirement allowances payable  
22 under the applicable retirement formula for the system and receive a reduced  
23 monthly retirement allowance payable for his or her lifetime. The lump-sum  
24 payment shall be paid in the month the first monthly retirement allowance is  
25 payable.
- 26 (b) Survivor rights. ~~A[The]~~ member **retiring on or before January 1, 2009,** may  
27 elect to receive a one-time lump-sum payment equal to twelve (12), twenty-



1 four (24), or thirty-six (36) monthly retirement allowances payable under  
2 subsection (2) of this section and receive a reduced monthly retirement  
3 allowance payable for his or her lifetime. The lump-sum payment shall be  
4 paid in the month the first monthly retirement allowance is payable. The  
5 reduced retirement allowance shall be continued after the member's death to  
6 his beneficiary during the lifetime of the person.

7 ~~(13) In addition to the optional forms of annuities permitted under this section, the board~~  
8 ~~may establish additional optional forms of annuities. The additional forms of~~  
9 ~~annuities shall be based on actuarial equivalent values, with due regard to selection~~  
10 ~~against the fund.~~

11 ~~(14)~~ The other provisions of this section notwithstanding, the beneficiary of a retired  
12 member of the General Assembly shall, after the member's death, receive sixty-six  
13 and two-thirds percent (66-2/3%) of the member's retirement allowance during his  
14 or her lifetime if the member of the General Assembly has elected this option and  
15 has made contributions in accordance with subsection ~~(14)~~~~(15)~~ of this section and  
16 of KRS 61.560. The retirement allowance of the retired member of the General  
17 Assembly shall not be actuarially reduced to provide for this survivor benefit.

18 ~~(14)~~~~(15)~~ A member of the General Assembly who wishes to obtain the survivorship  
19 option specified in subsection ~~(13)~~~~(14)~~ of this section shall so notify the Kentucky  
20 retirement systems:

- 21 (a) Within thirty (30) days after first becoming a member of the General  
22 Assembly if he is not a member of the General Assembly on July 15, 1980; or  
23 (b) Within thirty (30) days after July 15, 1980, if he is a member of the General  
24 Assembly on July 15, 1980.

25 ~~(15)~~~~(16)~~ The system shall forward to members of the General Assembly a form on  
26 which a member may elect the option provided for in subsections ~~(13)~~~~(14)~~ and  
27 ~~(14)~~~~(15)~~ of this section.

1 ~~(16)~~~~(17)~~ The options described in subsections (2), (3), (4), (8)(b), (10), (12)(b), and  
2 ~~(13)~~~~(14)~~ of this section shall be extended to the member only if the designated  
3 beneficiary is a person.

4 ➔Section 20. KRS 61.637 is amended to read as follows:

5 (1) A retired member who is receiving monthly retirement payments under any of the  
6 provisions of KRS ~~61.510~~~~61.515~~ to 61.705 and ~~78.510~~~~78.520~~ to 78.852 and who  
7 is reemployed as an employee by a participating agency prior to August 1, 1998,  
8 shall have his retirement payments suspended for the duration of reemployment.  
9 Monthly payments shall not be suspended for a retired member who is reemployed  
10 if he anticipates that he will receive less than the maximum permissible earnings as  
11 provided by the Federal Social Security Act in compensation as a result of  
12 reemployment during the calendar year. The payments shall be suspended at the  
13 beginning of the month in which the reemployment occurs.

14 (2) Employer and employee contributions shall be made as provided in KRS  
15 ~~61.510~~~~61.515~~ to 61.705 and ~~78.510~~~~78.520~~ to 78.852 on the compensation paid  
16 during reemployment, except where monthly payments were not suspended as  
17 provided in subsection (1) of this section or would not increase the retired member's  
18 last monthly retirement allowance by at least one dollar (\$1), and the member shall  
19 be credited with additional service credit.

20 (3) In the month following the termination of reemployment, retirement allowance  
21 payments shall be reinstated under the plan under which the member was receiving  
22 payments prior to reemployment.

23 (4) (a) Notwithstanding the provisions of this section, the payments suspended in  
24 accordance with subsection (1) of this section shall be paid retroactively to the  
25 retired member, or his estate, if he does not receive more than the maximum  
26 permissible earnings as provided by the Federal Social Security Act in

1 compensation from participating agencies during any calendar year of  
2 reemployment;

3 (b) If the retired member is paid suspended payments retroactively in accordance  
4 with this section, employee contributions deducted during his period of  
5 reemployment, if any, shall be refunded to the retired employee, and no  
6 service credit shall be earned for the period of reemployment;

7 (c) If the retired member is not eligible to be paid suspended payments for his  
8 period of reemployment as an employee, his retirement allowance shall be  
9 recomputed under the plan under which the member was receiving payments  
10 prior to reemployment as follows:

- 11 1. The retired member's final compensation shall be recomputed using  
12 creditable compensation for his period of reemployment; however, the  
13 final compensation resulting from the recalculation shall not be less than  
14 that of the member when his retirement allowance was last determined;
- 15 2. If the retired member initially retired on or subsequent to his normal  
16 retirement date, his retirement allowance shall be recomputed by using  
17 the formula in KRS 61.595(1);
- 18 3. If the retired member initially retired prior to his normal retirement date,  
19 his retirement allowance shall be recomputed using the formula in KRS  
20 61.595(2), except that the member's age used in computing benefits  
21 shall be his age at the time of his initial retirement increased by the  
22 number of months of service credit earned for service performed during  
23 reemployment;
- 24 4. The retirement allowance payments resulting from the recomputation  
25 under this subsection shall be payable in the month following the  
26 termination of reemployment in lieu of payments under subparagraph 3.  
27 The member shall not receive less in benefits as a result of the

1 recomputation than he was receiving prior to reemployment or would  
2 receive as determined under KRS 61.691;

3 5. Any retired member who was reemployed prior to March 26, 1974, shall  
4 begin making contributions to the system in accordance with the  
5 provisions of this section on the first day of the month following March  
6 26, 1974.

7 (5) A retired member, or his estate, shall pay to the retirement fund the total amount of  
8 payments which are not suspended in accordance with subsection (1) of this section  
9 if the member received more than the maximum permissible earnings as provided  
10 by the Federal Social Security Act in compensation from participating agencies  
11 during any calendar year of reemployment, except the retired member or his estate  
12 may repay the lesser of the total amount of payments which were not suspended or  
13 fifty cents (\$0.50) of each dollar earned over the maximum permissible earnings  
14 during reemployment if under age sixty-five (65), or one dollar (\$1) for every three  
15 dollars (\$3) earned if over age sixty-five (65).

16 (6) (a) "Reemployment" or "reinstatement" as used in this section shall not include a  
17 retired member who has been ordered reinstated by the Personnel Board under  
18 authority of KRS 18A.095; and

19 (b) A retired member who has been ordered reinstated by the Personnel Board  
20 under authority of KRS 18A.095 or by court order or by order of the Human  
21 Rights Commission and accepts employment by an agency participating in the  
22 Kentucky Employees Retirement System or County Employees Retirement  
23 System shall void his retirement by reimbursing the system in the full amount  
24 of his retirement allowance payments received.

25 (7) (a) Effective August 1, 1998, the provisions of subsections (1) to (4) of this  
26 section shall no longer apply to a retired member who is reemployed in a  
27 position covered by the same retirement system from which the member

1           retired. Reemployed retired members shall be treated as new members upon  
2           reemployment. Any retired member whose reemployment date preceded  
3           August 1, 1998, who does not elect, within sixty (60) days of notification by  
4           the retirement systems, to remain under the provisions of subsections (1) to  
5           (4) of this section shall be deemed to have elected to participate under this  
6           subsection.

7           (b) A retired member whose disability retirement was discontinued pursuant to  
8           KRS 61.615 and who is reemployed in one (1) of the systems administered by  
9           the Kentucky Retirement Systems prior to his or her normal retirement date  
10          shall have his or her accounts combined upon termination for determining  
11          eligibility for benefits. If the member is eligible for retirement, the member's  
12          service and creditable compensation earned as a result of his or her  
13          reemployment shall be used in the calculation of benefits, except that the  
14          member's final compensation shall not be less than the final compensation last  
15          used in determining his or her retirement allowance. The member shall not  
16          change beneficiary or payment option designations. This provision shall apply  
17          to members reemployed on or after August 1, 1998.

18       (8) A retired member or his employer shall notify the retirement system if he has  
19       accepted employment with an agency that participates in the retirement system  
20       from which the member retired.

21       (9) If the retired member is under a contract, the member shall submit a copy of that  
22       contract to the retirement system, and the retirement system shall determine if the  
23       member is an independent contractor for purposes of retirement benefits.

24       (10) If a member is receiving a retirement allowance, or has filed the forms required for  
25       a retirement allowance, and is employed within one (1) month of the member's  
26       initial retirement date in a position that is required to participate in the same  
27       retirement system from which the member retired, the member's retirement shall be

1 voided and the member shall repay to the retirement system all benefits received.  
2 The member shall contribute to the member account established for him prior to his  
3 voided retirement. The retirement allowance for which the member shall be eligible  
4 upon retirement shall be determined by total service and creditable compensation.

5 (11) (a) If a member of the Kentucky Employees Retirement System retires from a  
6 department which participates in more than one (1) retirement system and is  
7 reemployed within one (1) month of his initial retirement date by the same  
8 department in a position participating in another retirement system, the retired  
9 member's retirement allowance shall be suspended for the first month of his  
10 retirement and the member shall repay to the retirement system all benefits  
11 received for the month.

12 (b) A retired member of the County Employees Retirement System who after  
13 initial retirement is hired by the county from which the member retired shall  
14 be considered to have been hired by the same employer.

15 (12) (a) If a hazardous member who retired prior to age fifty-five (55), or a  
16 nonhazardous member who retired prior to age sixty-five (65), is reemployed  
17 within six (6) months of the member's termination by the same employer, the  
18 member shall obtain from his previous and current employers a copy of the  
19 job description established by the employers for the position and a statement  
20 of the duties performed by the member for the position from which he retired  
21 and for the position in which he has been reemployed.

22 (b) The job descriptions and statements of duties shall be filed with the retirement  
23 office.

24 (13) If the retirement system determines that the retired member has been employed in a  
25 position with the same principal duties as the position from which the member  
26 retired:

- 1 (a) The member's retirement allowance shall be suspended during the period that  
2 begins on the month in which the member is reemployed and ends six (6)  
3 months after the member's termination.
- 4 (b) The retired member shall repay to the retirement system all benefits paid from  
5 systems administered by Kentucky Retirement Systems under reciprocity,  
6 including medical insurance benefits, that the member received after  
7 reemployment began.
- 8 (c) Upon termination, or subsequent to expiration of the six (6) month period  
9 from the date of termination, the retired member's retirement allowance based  
10 on his initial retirement account shall no longer be suspended and the member  
11 shall receive the amount to which he is entitled, including an increase as  
12 provided by KRS 61.691.
- 13 (d) Except as provided in subsection (7) of this section, if the position in which a  
14 retired member is employed after initial retirement is a regular full-time  
15 position, the retired member shall contribute to a second member account  
16 established for him in the retirement system. Service credit gained after the  
17 member's date of reemployment shall be credited to the second member  
18 account.
- 19 (e) Upon termination, the retired member shall be entitled to benefits payable  
20 from his second retirement account.
- 21 (14) (a) If the retirement system determines that the retired member has not been  
22 reemployed in a position with the same principal duties as the position from  
23 which he retired, the retired member shall continue to receive his retirement  
24 allowance.
- 25 (b) If the position is a regular full-time position, the member shall contribute to a  
26 second member account in the retirement system.

1 (15) (a) If a retired member is reemployed at least one (1) month after initial  
2 retirement in a different position, or at least six (6) months after initial  
3 retirement in the same position, and prior to normal retirement age, the retired  
4 member shall contribute to a second member account in the retirement system  
5 and continue to receive a retirement allowance from the first member account.

6 (b) Service credit gained after reemployment shall be credited to the second  
7 member account. Upon termination, the retired member shall be entitled to  
8 benefits payable from the second member account.

9 (16) A retired member who is reemployed and contributing to a second member account  
10 shall not be eligible to purchase service credit under any of the provisions of KRS  
11 16.510 to 16.652, KRS 61.515 to 61.705, or KRS 78.520 to 78.852 which he was  
12 eligible to purchase prior to his initial retirement.

13 (17) Notwithstanding any provision of subsections (1) to (7) and (10) to (15) of this  
14 section, the following shall apply to retired members who are reemployed by an  
15 agency participating in one (1) of the systems administered by Kentucky  
16 Retirement Systems on or after September 1, 2008:

17 (a) Except as provided by paragraphs (c) and (d) of this subsection, if a member  
18 is receiving a retirement allowance from one (1) of the systems administered  
19 by Kentucky Retirement Systems, or has filed the forms required to receive a  
20 retirement allowance from one (1) of the systems administered by Kentucky  
21 Retirement Systems, and is employed in a regular full-time position required  
22 to participate in one (1) of the systems administered by Kentucky Retirement  
23 Systems or is employed in a position that is not considered regular full-time  
24 with an agency participating in one (1) of the systems administered by  
25 Kentucky Retirement Systems within three (3) months following the  
26 member's initial retirement date, the member's retirement shall be voided,  
27 and the member shall repay to the retirement system all benefits received,



1 including any health insurance benefits. If the member is returning to work  
2 in a regular full-time position required to participate in one (1) of the  
3 systems administered by Kentucky Retirement Systems:

4 1. The member shall contribute to a member account established for him  
5 or her in one (1) of the systems administered by Kentucky Retirement  
6 Systems, and employer contributions shall be paid on behalf of the  
7 member by the participating employer; and

8 2. Upon subsequent retirement, the member shall be eligible for a  
9 retirement allowance based upon total service and creditable  
10 compensation, including any additional service or creditable  
11 compensation earned after his or her initial retirement was voided;

12 (b) Except as provided by paragraphs (c) and (d) of this subsection, if a member  
13 is receiving a retirement allowance from one (1) of the systems administered  
14 by Kentucky Retirement Systems and is employed in a regular full-time  
15 position required to participate in one (1) of the systems administered by  
16 Kentucky Retirement Systems after a three (3) month period following the  
17 member's initial retirement date, the member may continue to receive his or  
18 her retirement allowance during the period of reemployment subject to the  
19 following provisions:

20 1. Both the employee and participating agency shall certify in writing on  
21 a form prescribed by the board that no prearranged agreement existed  
22 between the employee and agency prior to the employee's retirement  
23 for the employee to return to work with the participating agency. If the  
24 participating agency or employer fail to complete the certification, the  
25 member's retirement shall be voided and the provisions of paragraph  
26 (a) of this subsection shall apply to the member and the employer;

- 1        2. Notwithstanding any other provision of KRS Chapter 16, 61, or 78 to  
2            the contrary, the member shall not contribute to the systems and shall  
3            not earn any additional benefits for any work performed during the  
4            period of reemployment;
- 5        3. The employer shall pay employer contributions as specified by KRS  
6            61.565 and 61.702 on all creditable compensation earned by the  
7            employee during the period of reemployment. The additional  
8            contributions paid shall be used to reduce the unfunded actuarial  
9            liability of the systems; and
- 10       4. The employer shall be required to reimburse the systems for the cost of  
11           the health insurance premium paid by the systems to provide coverage  
12           for the retiree, not to exceed the cost of the single premium;
- 13       (c) If a member is receiving a retirement allowance from the State Police  
14           Retirement System or from hazardous duty retirement coverage with the  
15           Kentucky Employees Retirement System or the County Employees  
16           Retirement System, or has filed the forms required to receive a retirement  
17           allowance from the State Police Retirement System or from hazardous duty  
18           retirement coverage with the Kentucky Employees Retirement System or the  
19           County Employees Retirement System, and is employed in a regular full-  
20           time position required to participate in the State Police Retirement System  
21           or in a hazardous duty position with the Kentucky Employees Retirement  
22           System or the County Employees Retirement System within one (1) month  
23           following the member's initial retirement date, the member's retirement  
24           shall be voided, and the member shall repay to the retirement system all  
25           benefits received, including any health insurance benefits. If the member is  
26           returning to work in a regular full-time position required to participate in  
27           one (1) of the systems administered by Kentucky Retirement Systems:

1       1. The member shall contribute to a member account established for him  
2       or her in one (1) of the systems administered by Kentucky Retirement  
3       Systems, and employer contributions shall be paid on behalf of the  
4       member by the participating employer; and

5       2. Upon subsequent retirement, the member shall be eligible for a  
6       retirement allowance based upon total service and creditable  
7       compensation, including any additional service or creditable  
8       compensation earned after his or her initial retirement was voided;  
9       and

10      (d) If a member is receiving a retirement allowance from the State Police  
11      Retirement System or from hazardous duty retirement coverage with the  
12      Kentucky Employees Retirement System or the County Employees  
13      Retirement System and is employed in a regular full-time position required  
14      to participate in the State Police Retirement System or in a hazardous duty  
15      position with the Kentucky Employees Retirement System or the County  
16      Employees Retirement System after a one (1) month period following the  
17      member's initial retirement date, the member may continue to receive his or  
18      her retirement allowance during the period of reemployment subject to the  
19      following provisions:

20      1. Both the employee and participating agency shall certify in writing on  
21      a form prescribed by the board that no prearranged agreement existed  
22      between the employee and agency prior to the employee's retirement  
23      for the employee to return to work with the participating agency. If the  
24      participating agency or employer fail to complete the certification, the  
25      member's retirement shall be voided and the provisions of paragraph  
26      (c) of this subsection shall apply to the member and the employer;

- 1            2. Notwithstanding any other provision of KRS Chapter 16, 61, or 78 to  
2            the contrary, the member shall not contribute to the systems and shall  
3            not earn any additional benefits for any work performed during the  
4            period of reemployment;
- 5            3. The employer shall pay employer contributions as specified by KRS  
6            61.565 and 61.702 on all creditable compensation earned by the  
7            employee during the period of reemployment. The additional  
8            contributions paid shall be used to reduce the unfunded actuarial  
9            liability of the systems; and
- 10           4. The employer shall be required to reimburse the systems for the cost of  
11           the health insurance premium paid by the systems to provide coverage  
12           for the retiree, not to exceed the cost of the single premium.

13           ➔Section 21. KRS 61.645 is amended to read as follows:

- 14        (1) The County Employees Retirement System, Kentucky Employees Retirement  
15        System, and State Police Retirement System shall be administered by the board of  
16        trustees of the Kentucky Retirement Systems composed of nine (9) members, who  
17        shall be selected as follows:
- 18           (a) The secretary of the Personnel Cabinet shall serve as trustee for as long as he  
19           occupies the position of secretary under KRS 18A.015, except as provided  
20           under subsections (5) and (6) of this section;
- 21           (b) Two (2) trustees, who shall be members or retired from the County  
22           Employees Retirement System, elected by the members and retired members  
23           of the County Employees Retirement System;
- 24           (c) One (1) trustee, who shall be a member or retired from the State Police  
25           Retirement System, elected by the members and retired members of the State  
26           Police Retirement System;

- 1 (d) Two (2) trustees, who shall be members or retired from the Kentucky  
2 Employees Retirement System, elected by the members and retired members  
3 of the Kentucky Employees Retirement System; and
- 4 (e) Three (3) trustees, appointed by the Governor of the Commonwealth. Of the  
5 three (3) trustees appointed by the Governor, one (1) shall be knowledgeable  
6 about the impact of pension requirements on local governments.
- 7 (2) The board is hereby granted the powers and privileges of a corporation, including  
8 but not limited to the following powers:
- 9 (a) To sue and be sued in its corporate name;
- 10 (b) To make bylaws not inconsistent with the law;
- 11 (c) To conduct the business and promote the purposes for which it was formed;
- 12 (d) To contract for investment counseling, actuarial, auditing, medical, and other  
13 professional or technical services as required to carry out the obligations of  
14 the board without limitation, notwithstanding the provisions of KRS Chapters  
15 45, 45A, 56, and 57;
- 16 (e) To purchase fiduciary liability insurance;
- 17 (f) To acquire, hold, sell, dispose of, pledge, lease, or mortgage, the goods or  
18 property necessary to exercise the board's powers and perform the board's  
19 duties without limitation, notwithstanding the limitations of KRS Chapters 45,  
20 45A, and 56; and
- 21 (g) The board shall reimburse any trustee, officer, or employee for any legal  
22 expense resulting from a civil action arising out of the performance of his  
23 official duties.
- 24 (3) Notwithstanding the provisions of subsection (1) of this section, each trustee shall  
25 serve a term of four (4) years or until his successor is duly qualified except as  
26 otherwise provided in this section. An elected trustee shall not serve more than  
27 three (3)~~five (5)~~ consecutive four (4) year terms. An elected trustee who has

served three (3)~~five (5)~~ consecutive terms may be elected again after an absence of four (4) years from the board.

(4) (a) The trustees selected by the membership of each of the various retirement systems shall be elected by ballot. For each trustee to be elected, the board may nominate, not less than six (6) months before a term of office of a trustee is due to expire, three (3) constitutionally eligible individuals.~~;~~

(b) Individuals may be nominated by the retirement system members which are to elect the trustee by presenting to the executive director, not less than four (4) months before a term of office of a trustee is due to expire, a petition, bearing the name, Social Security number, and signature of no less than one-tenth (1/10) of the number voting in the last election by the retirement system members.~~;~~

(c) Within four (4) months of the nominations made in accordance with paragraphs (a) and (b) of this subsection, the executive director shall cause to be prepared an official ballot. The ballot shall carry the name, address, and position title of each individual nominated by the board and by petition. Provisions shall also be made for write-in votes.~~;~~

(d) The ballots shall be distributed to the eligible voters by mail to their last known residence address.~~;~~

(e) The ballots shall be addressed to the Kentucky Retirement Systems in care of a predetermined box number at a United States Post Office located within Kentucky. Access to this post office box shall be limited to the board's contracted auditing firm. The individual receiving a plurality of votes shall be declared elected.~~;~~

(f) The eligible voter shall cast his ballot by checking a square opposite the name of the candidate of his choice. He shall sign and mail the ballot at least thirty

1 (30) days prior to the date the term to be filled is due to expire. The latest  
2 mailing date shall be printed on the ballot.~~{;}~~

3 (g) The board's contracted auditing firm shall report in writing the outcome to the  
4 chair of the board of trustees. Cost of an election shall be payable from the  
5 funds of the system for which the trustee is elected.

6 (5) Any vacancy which may occur in an appointed position shall be filled in the same  
7 manner which provides for the selection of the particular trustee, and any vacancy  
8 which may occur in an elected position shall be filled by appointment by a majority  
9 vote of the remaining trustees, and if the secretary of the Personnel Cabinet resigns  
10 his position as trustee, it shall be filled by appointment made by the Governor;  
11 however, any vacancy shall be filled only for the duration of the unexpired term.

12 (6) (a) Membership on the board of trustees shall not be incompatible with any other  
13 office unless a constitutional incompatibility exists. No trustee shall serve in  
14 more than one (1) position as trustee on the board; and if a trustee holds more  
15 than one (1) position as trustee on the board, he shall resign a position.

16 (b) A trustee shall be removed from office upon conviction of a felony or for a  
17 finding of a violation of any provision of KRS 11A.020 or 11A.040 by a court  
18 of competent jurisdiction.

19 (7) Trustees who do not otherwise receive a salary from the State Treasury shall  
20 receive a per diem of eighty dollars (\$80) for each day they are in session or on  
21 official duty, and they shall be reimbursed for their actual and necessary expenses  
22 in accordance with state administrative regulations and standards.

23 (8) The board shall meet at least once in each quarter of the year and may meet in  
24 special session upon the call of the chair or the executive director. It shall elect a  
25 chair and a vice chair. A majority of the trustees shall constitute a quorum and all  
26 actions taken by the board shall be by affirmative vote of a majority of the trustees  
27 present.

- 1 (9) (a) The board of trustees shall appoint or contract for the services of an executive  
2 director and fix the compensation and other terms of employment for this  
3 position without limitation of the provisions of KRS Chapters 18A and 45A  
4 and KRS 64.640. The executive director shall be the chief administrative  
5 officer of the board.
- 6 (b) The board of trustees shall authorize the executive director to appoint the  
7 employees deemed necessary to transact the business of the system. For an  
8 appointee deemed to be in a policy-making position, the board shall determine  
9 the compensation and other terms of employment for the policy-making  
10 position without limitation of the provisions of KRS Chapter 18A. Anything  
11 in the Kentucky Revised Statutes to the contrary notwithstanding, the power  
12 over and control of determining and maintaining an adequate complement of  
13 employees shall be under the exclusive jurisdiction of the board of trustees.
- 14 (c) Effective December 1, 2002, all employees of the Kentucky Retirement  
15 Systems shall be transferred to a personnel system adopted by the board.  
16 Employees of Kentucky Retirement Systems covered by the personnel system  
17 adopted by the board shall be:
- 18 1. Provided the same health insurance coverage as all other state  
19 government employees as provided in KRS 18A.225;
  - 20 2. Eligible to participate in the deferred compensation system provided for  
21 all state government employees as provided in KRS 18A.250 to  
22 18A.265;
  - 23 3. Provided the same life insurance coverage provided all state employees  
24 as provided in KRS 18A.205 to 18A.215;
  - 25 4. Reimbursed for all reasonable and necessary travel expenses and  
26 disbursements incurred or made in the performance of official duties in  
27 accordance with KRS Chapter 45;



- 1           5.   Ensured equal employment opportunity regardless of race, color,  
2                   gender, religion, national origin, disability, sexual orientation, or age;
- 3           6.   Given those holidays and rights granted to state employees as provided  
4                   in KRS 18A.190;
- 5           7.   Paid a salary not less than the salary paid as of the date of transfer to the  
6                   personnel system, unless voluntarily demoted or involuntarily demoted  
7                   for cause;
- 8           8.   Credited with all accumulated sick leave, compensatory time, and  
9                   annual leave accumulated in accordance with KRS Chapter 18A, and for  
10                  an employee leaving service, the system shall attest to the employee's  
11                  accumulated sick leave, compensatory time, and annual leave which  
12                  shall be credited with other state and county employers to the extent  
13                  provided for by statute or policy. The Kentucky Retirement Systems  
14                  may, at the discretion of the board, accept from other state and county  
15                  employers all accumulated sick leave, compensatory time, and annual  
16                  leave for an employee leaving a state or county employer and accepting  
17                  employment with the Kentucky Retirement Systems. The executive  
18                  branch shall accept from the Kentucky Retirement Systems all  
19                  accumulated sick leave, compensatory time, and annual leave for an  
20                  employee leaving the Kentucky Retirement Systems and accepting  
21                  employment with the executive branch. The Kentucky Retirement  
22                  Systems shall accept from the executive branch all accumulated sick  
23                  leave, compensatory time, and annual leave for an employee leaving the  
24                  executive branch and accepting employment with the Kentucky  
25                  Retirement Systems;
- 26          9.   Classified with status upon transfer to the personnel system on  
27                  December 1, 2002, if the employee was classified with status as a merit

- 1 employee under KRS Chapter 18A. Any employee of the Kentucky  
2 Retirement Systems transferred on December 1, 2002, during the  
3 probationary period before earning classified status as a merit system  
4 employee under KRS Chapter 18A shall transfer all accrued  
5 probationary time and the time shall be credited to the probationary time  
6 required to attain classified status in the personnel system;
- 7 10. Ensured a grievance appeal procedure and the employee's right to have a  
8 representative present at each step of the grievance procedure; and  
9 11. Ensured of the right of appeal in a manner consistent with the provisions  
10 of KRS 18A.095 to the Kentucky Personnel Board and employees  
11 classified with status in the personnel system shall not be dismissed,  
12 demoted, suspended, or otherwise penalized except for cause.
- 13 (d) The board shall adopt by administrative regulation a fair, equitable, and  
14 comprehensive personnel policy with a minimum of the following provisions  
15 for the personnel system:
- 16 1. A code of conduct including provisions describing performance of  
17 duties, abuse of position, conflicts of interest, and outside employment;  
18 2. An appointments plan including provisions describing the appointing  
19 authority, appointments, equal employment policy, sexual harassment  
20 policy, and drug-free workplace policy;  
21 3. A classification plan including provisions describing class  
22 specifications, position actions, and employee actions;  
23 4. A compensation plan based on qualifications, experience, and  
24 responsibilities and including provisions which describe a salary  
25 schedule, salary adjustments, salary advancements, and an employee  
26 suggestion program;

- 1           5. Separations, disciplinary actions, and appeal policies including  
2           provisions describing classified with status, exemptions from classified  
3           with status, layoffs, abolishment of position, dismissals and notification  
4           of dismissal, dismissals during probationary period, disciplinary actions,  
5           right of appeal, grievance and appeal procedures, and an employee  
6           grievance and appeal committee;
  - 7           6. Service and benefits regulations including provisions describing hours  
8           of work, fringe benefits, workers' compensation, payroll deductions,  
9           holidays, inclement weather days, compensatory time, retirement,  
10          resignations, employee evaluations, and political activities; and
  - 11          7. Leave policies including provisions describing special leave, annual  
12          leave, court leave and jury duty, military leave, voting leave, educational  
13          leave, sick leave, family medical leave, leave without pay, absence  
14          without leave, and blood donation leave.
- 15          (e) The board shall require the executive director and the employees as it thinks  
16          proper to execute bonds for the faithful performance of their duties  
17          notwithstanding the limitations of KRS Chapter 62.
- 18          (f) The board shall establish a system of accounting.
- 19          (g) The board shall do all things, take all actions, and promulgate all  
20          administrative regulations, not inconsistent with the provisions of KRS  
21          61.510~~[61.515]~~ to 61.705, 16.505~~[16.510]~~ to 16.652, and 78.510~~[78.520]~~ to  
22          78.852, necessary or proper in order to carry out the provisions of KRS  
23          61.510~~[61.515]~~ to 61.705, 16.505~~[16.510]~~ to 16.652, and 78.510~~[78.520]~~ to  
24          78.852. Notwithstanding any other evidence of legislative intent, it is hereby  
25          declared to be the controlling legislative intent that the provisions of KRS  
26          61.510~~[61.515]~~ to 61.705, 16.505~~[16.510]~~ to 16.652, and 78.510~~[78.520]~~ to  
27          78.852 conform with federal statute or regulation and meet the qualification

requirements under 26 U.S.C. sec. 401(a), applicable federal regulations, and other published guidance. Provisions of KRS ~~61.510~~~~[61.515]~~ to 61.705, ~~16.505~~~~[16.510]~~ to 16.652, and ~~78.510~~~~[78.520]~~ to 78.852 which conflict with federal statute or regulation or qualification under 26 U.S.C. sec. 401(a), applicable federal regulations, and other published guidance shall not be available. The board shall have the authority to promulgate administrative regulations to conform with federal statute and regulation and to meet the qualification requirements under 26 U.S.C. sec. 401(a), including an administrative regulation to comply with 26 U.S.C. sec. 401(a)(9). The board shall have the authority to promulgate an administrative regulation to comply with any consent decrees entered into by the board in Civil Action No. 3:99CV500(C) in order to bring the systems into compliance with the Age Discrimination in Employment Act, 29 U.S.C. Section 621, et seq., as amended.

(10) All employees of the board shall serve during its will and pleasure. Notwithstanding any statute to the contrary, employees shall not be considered legislative agents under KRS 6.611.

(11) The Attorney General, or an assistant designated by him, may attend each meeting of the board and may receive the agenda, board minutes, and other information distributed to trustees of the board upon request. The Attorney General may act as legal adviser and attorney for the board, and the board may contract for legal services, notwithstanding the limitations of KRS Chapter 12 or 13B.

(12) The system shall publish an annual financial report showing all receipts, disbursements, assets, and liabilities. The annual report shall include a copy of an audit conducted in accordance with generally accepted auditing standards. The board may select an independent certified public accountant or the Auditor of Public Accounts to perform the audit. If the audit is performed by an independent

1 certified public accountant, the Auditor of Public Accounts shall not be required to  
2 perform an audit pursuant to KRS 43.050(2)(a), but may perform an audit at his  
3 discretion. All proceedings and records of the board shall be open for inspection by  
4 the public. The system shall make copies of the audit required by this subsection  
5 available for examination by any member, retiree, or beneficiary in the office of the  
6 executive director of the Kentucky Retirement Systems and in other places as  
7 necessary to make the audit available to all members, retirees, and beneficiaries. A  
8 copy of the annual audit shall be sent to the Legislative Research Commission no  
9 later than ten (10) days after receipt by the board.

10 (13) All expenses incurred by or on behalf of the system and the board in the  
11 administration of the system during a fiscal year shall be paid from the retirement  
12 allowance account. Any other statute to the contrary notwithstanding, authorization  
13 for all expenditures relating to the administrative operations of the system shall be  
14 contained in the biennial budget unit request, branch budget recommendation, and  
15 the financial plan adopted by the General Assembly pursuant to KRS Chapter 48.

16 (14) Any person adversely affected by a decision of the board, except as provided under  
17 subsection (16) of this section or KRS 61.665, involving KRS 16.505~~[16.510]~~ to  
18 16.652, 61.510~~[61.515]~~ to 61.705, and 78.510~~[78.520]~~ to 78.852, may appeal the  
19 decision of the board to the Franklin Circuit Court within sixty (60) days of the  
20 board action.

21 (15) (a) A trustee shall discharge his duties as a trustee, including his duties as a  
22 member of a committee:

- 23 1. In good faith;
- 24 2. On an informed basis; and
- 25 3. In a manner he honestly believes to be in the best interest of the
- 26 Kentucky Retirement Systems.

- 1 (b) A trustee discharges his duties on an informed basis if, when he makes an  
2 inquiry into the business and affairs of the Kentucky Retirement Systems or  
3 into a particular action to be taken or decision to be made, he exercises the  
4 care an ordinary prudent person in a like position would exercise under  
5 similar circumstances.
- 6 (c) In discharging his duties, a trustee may rely on information, opinions, reports,  
7 or statements, including financial statements and other financial data, if  
8 prepared or presented by:
- 9 1. One (1) or more officers or employees of the Kentucky Retirement  
10 Systems whom the trustee honestly believes to be reliable and  
11 competent in the matters presented;
  - 12 2. Legal counsel, public accountants, actuaries, or other persons as to  
13 matters the trustee honestly believes are within the person's professional  
14 or expert competence; or
  - 15 3. A committee of the board of trustees of which he is not a member if the  
16 trustee honestly believes the committee merits confidence.
- 17 (d) A trustee shall not be considered as acting in good faith if he has knowledge  
18 concerning the matter in question that makes reliance otherwise permitted by  
19 paragraph (c) of this subsection unwarranted.
- 20 (e) Any action taken as a trustee, or any failure to take any action as a trustee,  
21 shall not be the basis for monetary damages or injunctive relief unless:
- 22 1. The trustee has breached or failed to perform the duties of the trustee's  
23 office in compliance with this section; and
  - 24 2. In the case of an action for monetary damages, the breach or failure to  
25 perform constitutes willful misconduct or wanton or reckless disregard  
26 for human rights, safety, or property.

1 (f) A person bringing an action for monetary damages under this section shall  
2 have the burden of proving by clear and convincing evidence the provisions of  
3 paragraphs (e)1. and (e)2. of this subsection, and the burden of proving that  
4 the breach or failure to perform was the legal cause of damages suffered by  
5 the Kentucky Retirement Systems.

6 (g) Nothing in this section shall eliminate or limit the liability of any trustee for  
7 any act or omission occurring prior to July 15, 1988.

8 **(h) In discharging his or her administrative duties under this section, a trustee**  
9 **shall strive to administer the retirement system in an efficient and cost-**  
10 **effective manner for the taxpayers of the Commonwealth of Kentucky.**

11 (16) When an order by the system substantially impairs the benefits or rights of a  
12 member, retired member, or recipient, except action which relates to entitlement to  
13 disability benefits, the affected member, retired member, or recipient may request a  
14 hearing to be held in accordance with KRS Chapter 13B. The board may establish  
15 an appeals committee whose members shall be appointed by the chair and who shall  
16 have authority to act upon the recommendations and reports of the hearing officer  
17 on behalf of the board. The member, retired member, or recipient aggrieved by a  
18 final order of the board following the hearing may appeal the decision to the  
19 Franklin Circuit Court, in accordance with KRS Chapter 13B.

20 (17) The board shall give the Kentucky Education Support Personnel Association  
21 twenty-four (24) hours notice of the board meetings, to the extent possible.

22 **(18) The board shall establish a formal trustee education program for all trustees of**  
23 **the board. The program shall include but not be limited to the following:**

24 **(a) A required orientation program for all new trustees elected or appointed to**  
25 **the board. The orientation program shall include training on benefits and**  
26 **benefits administration; investment concepts, policies, and current**  
27 **composition and administration of retirement systems investments; laws,**

1 bylaws, and administrative regulations pertaining to the retirement systems  
2 and to fiduciaries; and actuarial and financial concepts pertaining to the  
3 retirement systems. If a trustee fails to complete the orientation program  
4 within one (1) year from the beginning of his or her first term on the board,  
5 the retirement systems shall withhold payment of the per diem and travel  
6 expenses due to the board member under KRS 16.640, Section 21 of this  
7 Act, and KRS 78.780 until the trustee has completed the orientation  
8 program;

9 (b) Annual required training for board members on the administration,  
10 benefits, financing, and investing of the retirement systems. If a trustee fails  
11 to complete the annual required training during the calendar or fiscal year,  
12 the retirement systems shall withhold payment of the per diem and travel  
13 expenses due to the board member under KRS 16.640, Section 21 of this  
14 Act, and KRS 78.780 until the board member has met the annual training  
15 requirements; and

16 (c) The retirement systems shall incorporate by reference in an administrative  
17 regulation, pursuant to KRS 13A.2251, the trustee education program.

18 (19) In order to improve public transparency regarding the administration of the  
19 systems, the board of trustees shall adopt a best practices model by posting the  
20 following information to the retirement systems' Web site and shall make  
21 available to the public;

22 (a) Meeting notices and agendas for all meetings of the board. Notices and  
23 agendas shall be posted to the retirement systems' Web site at least seventy-  
24 two (72) hours in advance of the board or committee meetings, except in the  
25 case of special or emergency meetings as provided by KRS 61.823;

26 (b) The Comprehensive Annual Financial Report with the information as  
27 follows:



- 1           1. A general overview and update on the retirement systems by the  
2           executive director;
- 3           2. A listing of the board of trustees;
- 4           3. A listing of key staff;
- 5           4. An organizational chart;
- 6           5. Financial information, including a statement of plan net assets, a  
7           statement of changes in plan net assets, an actuarial value of assets, a  
8           schedule of investments, a statement of funded status and funding  
9           progress, and other supporting data;
- 10          6. Investment information, including a general overview, a list of the  
11          retirement system's professional consultants, a total return on  
12          retirement systems investments over a historical period, an investment  
13          summary, contracted investment management expenses, transaction  
14          commissions, and a schedule of investments;
- 15          7. The annual actuarial valuation report on the pension benefit and the  
16          medical insurance benefit; and
- 17          8. A general statistical section, including information on contributions,  
18          benefit payouts, and retirement systems' demographic data;
- 19          (c) All external audits;
- 20          (d) All board minutes or other materials that require adoption or ratification by  
21          the board of trustees. The items listed in this paragraph shall be posted  
22          within seventy-two (72) hours of adoption or ratification of the board;
- 23          (e) All bylaws, policies, or procedures adopted or ratified by the board of  
24          trustees;
- 25          (f) The retirement systems' summary plan description;
- 26          (g) A document containing an unofficial copy of the statutes governing the  
27          systems administered by Kentucky Retirement Systems;

- 1 (h) A listing of the members of the board of trustees and membership on each  
2 committee established by the board, including any investment committees;  
3 (i) All investment holdings and commissions for each fund administered by the  
4 board. The board shall update the list of holdings and commissions on a  
5 quarterly basis for fiscal years beginning on or after July 1, 2008; and  
6 (j) An update of investment returns, asset allocations, and the performance of  
7 the funds against benchmarks adopted by the board for each fund and for  
8 each asset class administered by the board. The update shall be posted on a  
9 quarterly basis for fiscal years beginning on or after July 1, 2008.  
10 (20) Notwithstanding the requirements of subsection (19) of this section, the  
11 retirement systems shall not be required to furnish information that is protected  
12 under KRS 61.661, exempt under KRS 61.878, or that, if disclosed, would  
13 compromise the retirement systems' ability to competitively invest in real estate or  
14 other asset classes, or to competitively negotiate vendor fees.

15 ➔Section 22. KRS 61.680 is amended to read as follows:

- 16 (1) Prior to August 1, 1982, every employee shall be deemed to consent and agree to  
17 any deduction from his compensation required by KRS 6.500 to 6.535,  
18 16.505~~[16.510]~~ to 16.652, 61.510 to 61.692, 78.510 to 78.852, and to all other  
19 provisions thereof. Thereafter, employee contributions shall be picked up by the  
20 employer pursuant to KRS 61.560(4).  
21 (2) (a) Notwithstanding any other provisions of KRS 6.500 to 6.535, 16.505~~[16.510]~~  
22 to 16.652, 61.510 to 61.692, 78.510 to 78.852 and 161.220 to 161.714, upon  
23 death, disability, or service retirement, a member's accounts under the  
24 Legislators' Retirement Plan, State Police Retirement System, Kentucky  
25 Employees Retirement System, County Employees Retirement System, and  
26 Teachers' Retirement System, except for service prohibited by KRS  
27 161.623(2), shall be consolidated for the purpose of determining eligibility

1 and amount of benefits. Vested service credit in a retirement system, other  
2 than the Teachers' Retirement System, sponsored by a Kentucky institution of  
3 higher education and accepted by the Kentucky Employees Retirement  
4 System or the County Employees Retirement System, may be used to  
5 determine eligibility for twenty-seven (27) year retirement for an employee  
6 who begins participating before September 1, 2008, but not the amount of  
7 benefits. The computation of benefits shall be based on the applicable formula  
8 in each system and service credit in each system, but the final compensation,  
9 excluding compensation earned under KRS 161.155(10), shall be determined  
10 as if all service were in one (1) system. If the member has prior service in  
11 more than one (1) system, he shall obtain at least twelve (12) months' current  
12 service in each system in which he has prior service in order to validate the  
13 prior service in each system for purposes of determining consolidated benefits  
14 under this section. Upon the determination of benefits, each system shall pay  
15 the applicable percentage of total benefits.

16 (b) The provisions of paragraph (a) of this subsection shall be waived if the  
17 member notifies the system of his desire to maintain separate retirement  
18 accounts in the State Police Retirement System, Kentucky Employees  
19 Retirement System, or County Employees Retirement System.

20 (c) If the member has not contributed at least one (1) year in a system in which he  
21 has prior service, his current service in the system shall be valid for purposes  
22 of determining eligibility and in computation of benefits on a consolidated  
23 basis.

24 (3) A member with service credit in the Kentucky Employees Retirement System, State  
25 Police Retirement System, or the County Employees Retirement System who  
26 becomes the holder of an office entitling him to membership in the Judicial  
27 Retirement Plan or the Legislators' Retirement Plan, but who does not elect within

thirty (30) days after taking office in such service to participate in the plan, in accordance with KRS 6.505 or 21.360, shall be deemed to have elected to retain membership in the system in which he is a member, either the Kentucky Employees Retirement System, State Police Retirement System, or the County Employees Retirement System. In that event, the agency employing the member shall withhold employee contributions, or picked-up employee contributions after August 2, 1982, make employer contributions and remit these contributions to the system in which the member retained his membership. Any person entitled to membership in the Judicial Retirement Plan or the Legislators' Retirement Plan, who does not elect within thirty (30) days after taking office to participate in the plan, in accordance with KRS 6.505 or 21.360, and who at the time of taking office is not a contributing member of, or does not have service credit in, any of the retirement systems mentioned in this section, or the Teachers' Retirement System, shall participate in the Kentucky Employees Retirement System. A member of one (1) of the state-administered retirement plans who ceases to contribute to the plan as provided in KRS 21.360 and who is employed in a nonelected position by an agency participating in the Kentucky Retirement Systems or Kentucky Teachers' Retirement System shall be deemed to have elected membership in the system in which the employer of the nonelected position participates. A member of one (1) of the state-administered retirement plans who ceases to contribute to the plan as provided in KRS 21.360 and who is not employed in a nonelected position by an agency participating in the Kentucky Retirement Systems shall be deemed to have elected membership in the Kentucky Employees Retirement System.

- (4) (a) Prior to July 1, 1976, a person entering the service of an employer participating in the Kentucky Employees Retirement System or the County Employees Retirement System with service credit in the Teachers' Retirement System and who desires to retain membership in the Teachers' Retirement

1           System, and who is permitted by that system to continue, shall be exempt  
2           from participating in the Kentucky Employees Retirement System or the  
3           County Employees Retirement System.

4           (b) Any person who has elected to retain membership in the Teachers' Retirement  
5           System as provided in paragraph (a) of this subsection may cancel his election  
6           and participate in the system under which his position would normally  
7           participate, if he elects to cancel his option prior to January 1, 1977.

8           (c) Any member of the General Assembly who upon election is a contributing  
9           member of the Teachers' Retirement System and who does not elect within  
10          thirty (30) days after taking office to participate in the Legislators' Retirement  
11          Plan, in accordance with KRS 6.505, shall during his term of office participate  
12          in the Kentucky Employees Retirement System unless an election to retain  
13          membership in the Teachers' Retirement System is filed in writing within  
14          ninety (90) days after his term of office begins. No contributions may be made  
15          to the Teachers' Retirement System for the same period of service under the  
16          Legislators' Retirement Plan or the Kentucky Employees Retirement System  
17          as a member of the General Assembly, but contributions made to the  
18          Teachers' Retirement System while a member of the General Assembly shall  
19          be transferred to the Legislators' Retirement Plan, as provided for in KRS  
20          6.535, when the member elects to join the Legislators' Retirement Plan, and  
21          service credit in the Legislators' Retirement Plan shall be granted as provided  
22          for in KRS 6.505(5).

23          (5) Effective July 1, 1974, any member of the Kentucky Employees Retirement System  
24          or County Employees Retirement System who is working in a position covered by  
25          one (1) of these retirement systems and his employee contributions, service credit  
26          and employer contributions made on his behalf are being transferred to the other  
27          retirement system shall contribute to the system in which his employer participates,

1 or after August 1, 1982, the employer shall pick up the employee contributions, and  
2 no further contributions or service credit shall be transferred to the system in which  
3 he elected to retain membership, as subsection (2) of this section eliminates the  
4 necessity of the transfers.

5 (6) Any member of the Kentucky Employees Retirement System or County Employees  
6 Retirement System who is working in more than one (1) position covered by the  
7 same retirement system, shall have his wages and contributions consolidated and  
8 his retirement account administered as a single account. If part-time positions are  
9 involved, an accumulation of all hours worked within the same retirement system  
10 shall be used to determine eligibility under KRS 61.510(21).

11 (7) Notwithstanding the provisions of subsection (2) of this section, a person who does  
12 not have the amount of service required for service retirement in the State Police  
13 Retirement System, Kentucky Employees Retirement System, County Employees  
14 Retirement System, Legislators' Retirement Plan, or Teachers' Retirement System,  
15 but who is a member of one (1) of the systems or is a former member of one (1) or  
16 more of the systems with valid service credit therein, shall become eligible for  
17 service retirement benefits attributable to the amount of his actual service credit in  
18 each system in which he has service credit when his combined service credit in all  
19 the systems, plus any service credit he has in the Judicial Retirement Plan, is equal  
20 to that required for service retirement in each respective system. The computation  
21 of benefits shall be based on the applicable formula in each system and service  
22 credit in each system, except that total service in all systems, unless prohibited by  
23 KRS 161.623(2), shall be used to determine the reduction for early retirement, if  
24 any. Except as provided in KRS 21.360, the final compensation shall be determined  
25 by using the creditable compensation reported to the State Police Retirement  
26 System, Kentucky Employees Retirement System, County Employees Retirement  
27 System, Legislators' Retirement Plan, or Teachers' Retirement System and only as

1 much of the compensation earned in the Judicial Retirement Plan as is needed to  
2 satisfy the final compensation requirement applicable in the respective retirement  
3 systems.

- 4 (8) Each retirement system from which the member retires shall pay a retirement  
5 allowance upon receipt of required forms and documents, except that no retirement  
6 system shall pay a retirement allowance or annuity until all forms and documents  
7 are filed at all retirement systems in compliance with each system's requirements.

8 ➔Section 23. KRS 61.691 is amended to read as follows:

- 9 (1) Effective August 1, 1996, ~~to~~~~and on~~ July 1, 2008~~[of each year thereafter]~~, a  
10 recipient of a retirement allowance under KRS 16.505~~[16.510]~~ to 16.652 and KRS  
11 61.510~~[61.515]~~ to 61.705 and KRS 78.510~~[78.520]~~ to 78.852 shall have his  
12 retirement allowance increased on July 1 of each year by the percentage increase in  
13 the annual average of the consumer price index for all urban consumers for the most  
14 recent calendar year as published by the federal Bureau of Labor Statistics, not to  
15 exceed five percent (5%). In determining the annual employer contribution rate,  
16 only the cost of increases granted as of the most recent valuation date shall be  
17 recognized. The benefits of this subsection as provided on August 1, 1996, to July  
18 1, 2008~~[and thereafter]~~ shall not be considered as benefits protected by the  
19 inviolable contract provisions of KRS 61.692, 16.652, and 78.852. The General  
20 Assembly reserves the right to suspend or reduce the benefits conferred in this  
21 subsection if in their judgment the welfare of the Commonwealth so demands.

- 22 (2) Effective July 1, 2009, and on July 1 of each year thereafter, a recipient of a  
23 retirement allowance under KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510  
24 to 78.852 shall have his or her retirement allowance increased by one and one-  
25 half percent (1.5%), provided the recipient has been receiving a benefit for at  
26 least twelve (12) months prior to the effective date of the increase. If the recipient  
27 has been receiving a benefit for less than twelve (12) months prior to the effective

date of the increase provided by this subsection, the increase shall be reduced on a pro rata basis for each month the recipient has not been receiving benefits in the twelve (12) months preceding the effective date of the increase. In determining the annual employer contribution rate, only the cost of increases granted as of the most recent valuation date shall be recognized. The benefits of this subsection as provided on July 1, 2009, and thereafter shall not be considered as benefits protected by the inviolable contract provisions of KRS 61.692, 16.652, and 78.852. The General Assembly reserves the right to suspend or reduce the benefits conferred in this subsection if, in its judgment, the welfare of the Commonwealth so demands.

**(3)** A reemployed retired member whose payments are suspended as provided under KRS 61.637 shall be eligible for an increase in his suspended retirement allowance as provided under this section, computed as if he were receiving the retirement allowance at the time the increase under this section is effective.

**(4)** In addition to the increase to a recipient's retirement allowance as provided by subsection (2) of this section, the General Assembly may, by subsequent legislation, provide supplemental increases to a recipient's retirement allowance to help adjust for actual changes in the recipient's cost of living if the General Assembly appropriates sufficient funds to fully prefund the benefit in the year the increase is provided.

➔Section 24. KRS 61.702 is amended to read as follows:

(1) (a) The board of trustees of Kentucky Retirement Systems shall arrange by appropriate contract or on a self-insured basis to provide a group hospital and medical insurance plan for present and future recipients of a retirement allowance from the Kentucky Employees Retirement System, County Employees Retirement System, and State Police Retirement System, except as provided in subsection (8) of this section. The board shall also arrange to



1 provide health care coverage through an insurer licensed pursuant to Subtitle  
2 38 of KRS Chapter 304 and offering a managed care plan as defined in KRS  
3 304.17A-500, as an alternative to group hospital and medical insurance for  
4 any person eligible for hospital and medical benefits under this section. Any  
5 person who chooses coverage under a managed care plan shall pay, by payroll  
6 deduction from the retirement allowance or by another method, the difference  
7 in premium between the cost of the managed care plan coverage and the  
8 benefits to which he would be entitled under this section.

9 (b) The board may authorize present and future recipients of a retirement  
10 allowance from any of the three (3) retirement systems to be included in the  
11 state employees' group for hospital and medical insurance and shall provide  
12 benefits for recipients equal to those provided to state employees having the  
13 same Medicare hospital and medical insurance eligibility status, except as  
14 provided in subsection (8) of this section. Notwithstanding the provisions of  
15 any other statute, recipients shall be included in the same class as current state  
16 employees in determining medical insurance policies and premiums.

17 (c) For recipients of a retirement allowance who are not eligible for the same  
18 level of hospital and medical benefits as recipients living in Kentucky having  
19 the same Medicare hospital and medical insurance eligibility status, the board  
20 shall provide a medical insurance reimbursement plan as described in  
21 subsection (7) of this section.

22 (2) (a) Each employer participating in the State Police Retirement System as  
23 provided for in KRS ~~16.505~~~~16.510~~ to 16.652, each employer participating in  
24 the County Employees Retirement System as provided in KRS 78.510 to  
25 78.852, and each employer participating in the Kentucky Employees  
26 Retirement System as provided for in KRS 61.510 to 61.705 shall contribute  
27 to the Kentucky Retirement Systems insurance fund the amount necessary to

1 provide hospital and medical insurance as provided for under this section.  
2 Such employer contribution rate shall be developed by appropriate actuarial  
3 method as a part of the determination of each respective employer  
4 contribution rate to each respective retirement system determined under KRS  
5 61.565.

6 (b) 1. Each employer described in paragraph (a) of this subsection shall  
7 deduct from the creditable compensation of each member having a  
8 membership date on or after September 1, 2008, an amount equal to  
9 one percent (1%) of the member's creditable compensation. The  
10 deducted amounts shall be credited to the Kentucky Retirement  
11 Systems Insurance Fund established by KRS 61.701.

12 2. The employer shall file the contributions as provided by subparagraph  
13 1. of this paragraph at the retirement office in accordance with KRS  
14 61.675 and 78.625. Any interest or penalties paid on any delinquent  
15 contributions shall be credited to the Kentucky Retirement Systems  
16 Insurance Fund. Notwithstanding any minimum compensation  
17 requirements provided by law, the deductions provided by this  
18 paragraph shall be made and the compensation of the member shall  
19 be reduced accordingly.

20 3. Each employer shall submit payroll reports, contributions lists, and  
21 other data as may be required by administrative regulation  
22 promulgated by the board of trustees pursuant to KRS Chapter 13A.

23 4. Every member shall be deemed to consent and agree to the deductions  
24 made pursuant to this paragraph and the payment of salary or  
25 compensation less the deductions shall be a full and complete  
26 discharge of all claims for services rendered by the person during the  
27 period covered by the payment, except as to any benefits provided by

KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852. No member may elect whether to participate in, or choose the contribution amount to, the Kentucky Retirement Systems Insurance Fund. The member shall have no option to receive the contribution required by this paragraph directly instead of having the contribution paid to the Kentucky Retirement Systems Insurance Fund. No member may receive a rebate or refund of contributions. The contribution made pursuant to this paragraph shall not act as a reduction or offset to any other contribution required of a member or recipient under KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852.

5. The board of trustees, at its discretion, may direct that the contributions required by this paragraph be accounted for within the Kentucky Retirement Systems Insurance Fund through the use of separate accounts.

(3) (a) The premium required to provide hospital and medical benefits under this section shall be paid:

1. Wholly or partly from funds contributed by the recipient of a retirement allowance, by payroll deduction, or otherwise;
2. Wholly or partly from funds contributed by the Kentucky Retirement Systems insurance fund;
3. Wholly or partly from funds contributed by another state-administered retirement system under a reciprocal arrangement, except that any portion of the premium paid from the Kentucky Retirement Systems insurance fund under a reciprocal agreement shall not exceed the amount that would be payable under this section if all the member's service were in one (1) of the systems administered by the Kentucky Retirement Systems;

- 1           4.   Partly from subparagraphs 1., 2., or 3., except that any premium for  
2           hospital and medical insurance over the amount contributed by the  
3           Kentucky Retirement Systems insurance fund or another state-  
4           administered retirement system under a reciprocal agreement shall be  
5           paid by the recipient. If the board provides for cross-referencing of  
6           insurance premiums, the employer's contribution for the working  
7           member or spouse shall be applied toward the premium, and the  
8           Kentucky Retirement Systems insurance fund shall pay the balance, not  
9           to exceed the monthly contribution.
- 10          5.   In full from the Kentucky Retirement Systems insurance fund for all  
11          recipients of a retirement allowance from any of the three (3) retirement  
12          systems where such recipient is a retired former member of one (1) or  
13          more of the three (3) retirement systems (not a beneficiary or dependent  
14          child receiving benefits) and had two hundred and forty (240) months or  
15          more of service upon retirement. Should such recipient have less than  
16          two hundred forty (240) months of service but have at least one hundred  
17          eighty (180) months of service, seventy-five percent (75%) of such  
18          premium shall be paid from the insurance fund provided such recipient  
19          agrees to pay the remaining twenty-five percent (25%) by payroll  
20          deduction from his retirement allowance or by another method. Should  
21          such recipient have less than one hundred eighty (180) months of  
22          service but have at least one hundred twenty (120) months of service,  
23          fifty percent (50%) of such premium shall be paid from the insurance  
24          fund provided such recipient agrees to pay the remaining fifty percent  
25          (50%) by payroll deduction from his retirement allowance or by another  
26          method. Should such recipient have less than one hundred twenty (120)  
27          months of service but have at least forty-eight (48) months of service,

1           twenty-five percent (25%) of such premium shall be paid from the  
2           insurance fund provided such recipient agrees to pay the remaining  
3           seventy-five percent (75%) by payroll deduction from his retirement  
4           allowance or by another method. Notwithstanding the foregoing  
5           provisions of this subsection, an employee participating in one (1) of the  
6           retirement systems administered by the Kentucky Retirement Systems  
7           who becomes disabled in the line of duty as defined in KRS 16.505(19)  
8           or KRS 61.621, shall have his premium paid in full as if he had two  
9           hundred forty (240) months or more of service. Further, an employee  
10          participating in one (1) of the retirement systems administered by the  
11          Kentucky Retirement Systems who is killed in the line of duty as  
12          defined in KRS 16.505(19) or KRS 61.621, shall have the premium for  
13          the beneficiary, if the beneficiary is the member's spouse, and for each  
14          dependent child paid so long as they individually remain eligible for a  
15          monthly retirement benefit. "Months of service" as used in this section  
16          shall mean the total months of combined service used to determine  
17          benefits under any or all of the three (3) retirement systems, except  
18          service added to determine disability benefits shall not be counted as  
19          "months of service." For current and former employees of the Council  
20          on Postsecondary Education who were employed prior to January 1,  
21          1993, and who earn at least fifteen (15) years of service credit in the  
22          Kentucky Employees Retirement System, "months of service" shall also  
23          include vested service in another retirement system other than the  
24          Kentucky Teachers' Retirement System sponsored by the Council on  
25          Postsecondary Education.

- 26          (b) For a member electing insurance coverage through the Kentucky Retirement  
27          Systems, "months of service" shall include, in addition to service as described

1 in paragraph (a) of this subsection, service credit in one of the other state-  
2 administered retirement plans.

3 1. Effective August 1, 1998, the Kentucky Retirement Systems shall  
4 compute the member's combined service, including service credit in  
5 another state-administered retirement plan, and calculate the portion of  
6 the member's premium to be paid by the insurance fund, according to  
7 the criteria established in paragraph (a) of this subsection. Each state-  
8 administered retirement plan annually shall pay to the insurance fund the  
9 percentage of the system's cost of the retiree's monthly contribution for  
10 single coverage for hospital and medical insurance which shall be equal  
11 to the percentage of the member's number of months of service in the  
12 other state-administered retirement plan divided by his total combined  
13 service. The amounts paid by the other state-administered retirement  
14 plans and the insurance fund shall not be more than one hundred percent  
15 (100%) of the monthly contribution adopted by the respective boards of  
16 trustees.

17 2. A member may not elect coverage for hospital and medical benefits  
18 under this subsection through more than one (1) of the state-  
19 administered retirement plans.

20 3. A state-administered retirement plan shall not pay any portion of a  
21 member's monthly contribution for medical insurance unless the  
22 member is a recipient or annuitant of the plan.

23 (4) (a) Group rates under the hospital and medical insurance plan shall be made  
24 available to the spouse, each dependent child, and each disabled child,  
25 regardless of the disabled child's age, of a recipient who is a former member  
26 or the beneficiary, if the premium for the hospital and medical insurance for  
27 the spouse, each dependent child, and each disabled child, or beneficiary is

1           paid by payroll deduction from the retirement allowance or by another  
2           method. A child shall be considered disabled if he has been determined to be  
3           eligible for federal Social Security disability benefits.

4           (b) The other provisions of this section notwithstanding, the insurance fund shall  
5           pay a percentage of the monthly contribution for the spouse and for each  
6           dependent child of a recipient who was a member of the General Assembly  
7           and is receiving a retirement allowance based on General Assembly service,  
8           of the Kentucky Employees Retirement System and determined to be in a  
9           hazardous position, of the County Employees Retirement System, and  
10          determined to be in a hazardous position or of the State Police Retirement  
11          System. The percentage of the monthly contribution paid for the spouse and  
12          each dependent child of a recipient who was in a hazardous position shall be  
13          based solely on the member's service with the State Police Retirement System  
14          or service in a hazardous position using the formula in subsection (3)(a) of  
15          this section, except that for any recipient of a retirement allowance from the  
16          County Employees Retirement System who was contributing to the system on  
17          January 1, 1998, for service in a hazardous position, the percentage of the  
18          monthly contribution shall be based on the total of hazardous service and any  
19          nonhazardous service as a police or firefighter with the same agency, if that  
20          agency was participating in the County Employees Retirement System but did  
21          not offer hazardous duty coverage for its police and firefighters at the time of  
22          initial participation.

23          (c) The insurance fund shall continue the same level of coverage for a recipient  
24          who was a member of the County Employees Retirement System after the age  
25          of sixty-five (65) as before the age of sixty-five (65), if the recipient is not  
26          eligible for Medicare coverage. If the insurance fund provides coverage for  
27          the spouse or each dependent child of a former member of the County

1 Employees Retirement System, the insurance fund shall continue the same  
2 level of coverage for the spouse or each dependent child after the age of sixty-  
3 five (65) as before the age of sixty-five (65), if the spouse or dependent child  
4 is not eligible for Medicare coverage.

5 (5) After July 1, 1998, notwithstanding any other provision to the contrary, a member  
6 who holds a judicial office but did not elect to participate in the Judicial Retirement  
7 Plan and is participating instead in the Kentucky Employees Retirement System, the  
8 County Employees Retirement System, or the State Police Retirement System, as  
9 provided in KRS 61.680, and who has at least twenty (20) years of total service,  
10 one-half (1/2) of which is in a judicial office, shall receive the same hospital and  
11 medical insurance benefits, including paid benefits for spouse and dependents, as  
12 provided to persons retiring under the provisions of KRS 21.427. The  
13 Administrative Office of the Courts shall pay the cost of the medical insurance  
14 benefits provided by this subsection.

15 (6) Premiums paid for hospital and medical insurance coverage procured under  
16 authority of this section shall be exempt from any premium tax which might  
17 otherwise be required under KRS Chapter 136. The payment of premiums by the  
18 insurance fund shall not constitute taxable income to an insured recipient. No  
19 commission shall be paid for hospital and medical insurance procured under  
20 authority of this section.

21 (7) The board shall promulgate an administrative regulation to establish a medical  
22 insurance reimbursement plan to provide reimbursement for hospital and medical  
23 insurance premiums of recipients of a retirement allowance who are not eligible for  
24 the same level of hospital and medical benefits as recipients living in Kentucky and  
25 having the same Medicare hospital and medical insurance eligibility status. An  
26 eligible recipient shall file proof of payment for hospital and medical insurance at  
27 the retirement office. Reimbursement to eligible recipients shall be made on a



quarterly basis. The recipient shall be eligible for reimbursement of substantiated medical insurance premiums for an amount not to exceed the total monthly premium determined under subsection (3) of this section. The plan shall not be made available if all recipients are eligible for the same coverage as recipients living in Kentucky.

- (8) (a) 1. For employees having a membership date on or after July 1, 2003, and before September 1, 2008, participation in the insurance benefits provided under this section shall not be allowed until the employee has earned at least one hundred twenty (120) months of service in the state-administered retirement systems.

2. For an employee having a membership date on or after September 1, 2008, participation in the insurance benefits provided under this section shall not be allowed until the employee has earned at least one hundred eighty (180) months of service credited under KRS 16.543(1), 61.543(1), or 78.615(1) or another state-administered retirement system.

~~(b)(a)~~ An employee who meets the minimum service requirements as provided by paragraph (a) of this subsection~~[earns at least one hundred twenty (120) months of service in the state-administered retirement systems]~~ shall be eligible for benefits as follows:

1. For employees who are not in a hazardous position, a monthly insurance contribution of ten dollars (\$10) for each year of service as a participating employee.
2. For employees who are in a hazardous position or who participate in the State Police Retirement System, a monthly insurance contribution of fifteen dollars (\$15) for each year of service as a participating employee in a hazardous position or as a participating member of the State Police

1 Retirement System. Upon the death of the retired member, the  
2 beneficiary, if the beneficiary is the member's spouse, shall be entitled to  
3 a monthly insurance contribution of ten dollars (\$10) for each year of  
4 service the member attained as a participating employee in a hazardous  
5 position or as a participating member of the State Police Retirement  
6 System.

7 ~~(c)~~~~(b)}~~ The minimum~~[one hundred twenty (120) months of]~~ service requirement  
8 to participate in benefits as provided by paragraph (a) of this subsection  
9 shall be waived for a member who is disabled or killed in the line of duty as  
10 defined in KRS 16.505(19) or KRS 61.621, and the member or his beneficiary  
11 shall be entitled to the benefits payable under this subsection as though the  
12 member had twenty (20) years of service in a hazardous position.

13 ~~(d)~~~~(e)}~~ The monthly insurance contribution amount shall be increased July 1 of  
14 each year by one and one-half percent (1.5%)~~[the percentage change in the~~  
15 ~~annual average of the consumer price index for all urban consumers for the~~  
16 ~~most recent calendar year as published by the federal Bureau of Labor~~  
17 ~~Statistics, not to exceed five percent (5%)].~~ The increase shall be cumulative  
18 and shall continue to accrue after the member's retirement for as long as a  
19 monthly insurance contribution is payable to the retired member or  
20 beneficiary.

21 ~~(e)~~~~(d)}~~ The benefits of this subsection provided to a member whose participation  
22 begins on or after July 1, 2003, shall not be considered as benefits protected  
23 by the inviolable contract provisions of KRS 61.692, 16.652, and 78.852. The  
24 General Assembly reserves the right to suspend or reduce the benefits  
25 conferred in this subsection if in its judgment the welfare of the  
26 Commonwealth so demands.

(f) An employee whose membership date is on or after September 1, 2008, who retires and is reemployed in a regular full-time position required to participate in one (1) of the systems administered by Kentucky Retirement Systems shall not be eligible for health insurance coverage or benefits provided by this section and shall take coverage with his or her employing agency during the period of reemployment in a regular full-time position.

➔Section 25. KRS 78.510 is amended to read as follows:

As used in KRS 78.510~~[78.520]~~ to 78.852, unless the context otherwise requires:

- (1) "System" means the County Employees Retirement System;
- (2) "Board" means the board of trustees of the system as provided in KRS 78.780;
- (3) "County" means any county, or nonprofit organization created and governed by a county, counties, or elected county officers, sheriff and his employees, county clerk and his employees, circuit clerk and his deputies, former circuit clerks or former circuit clerk deputies, or political subdivision or instrumentality, including school boards, charter county government, or urban-county government participating in the system by order appropriate to its governmental structure, as provided in KRS 78.530, and if the board is willing to accept the agency, organization, or corporation, the board being hereby granted the authority to determine the eligibility of the agency to participate;
- (4) "School board" means any board of education participating in the system by order appropriate to its governmental structure, as provided in KRS 78.530, and if the board is willing to accept the agency or corporation, the board being hereby granted the authority to determine the eligibility of the agency to participate;
- (5) "Examiner" means the medical examiners as provided in KRS 61.665;
- (6) "Employee" means every regular full-time appointed or elective officer or employee of a participating county and the coroner of a participating county, whether or not he qualifies as a regular full-time officer. The term shall not include

1 persons engaged as independent contractors, seasonal, emergency, temporary, and  
2 part-time workers. In case of any doubt, the board shall determine if a person is an  
3 employee within the meaning of KRS 78.510~~[78.520]~~ to 78.852;

4 (7) "Employer" means a county, as defined in subsection (3) of this section, the elected  
5 officials of a county, or any authority of the county having the power to appoint or  
6 elect an employee to office or employment in the county;

7 (8) "Member" means any employee who is included in the membership of the system  
8 or any former employee whose membership has not been terminated under KRS  
9 61.535;

10 (9) "Service" means the total of current service and prior service as defined in this  
11 section;

12 (10) "Current service" means the number of years and months of employment as an  
13 employee, on and after July 1, 1958, for which creditable compensation is paid and  
14 employee contributions deducted, except as otherwise provided;

15 (11) "Prior service" means the number of years and completed months, expressed as a  
16 fraction of a year, of employment as an employee, prior to July 1, 1958, for which  
17 creditable compensation was paid. An employee shall be credited with one (1)  
18 month of prior service only in those months he received compensation for at least  
19 one hundred (100) hours of work. Twelve (12) months of current service in the  
20 system shall be required to validate prior service;

21 (12) "Accumulated contributions" means the sum of all amounts deducted from the  
22 compensation of a member and credited to his individual account in the members'  
23 contribution account, including employee contributions picked up after August 1,  
24 1982, pursuant to KRS 78.610(4), together with interest credited on the amounts,  
25 and any other amounts the member shall have contributed thereto, including interest  
26 credited thereon;

1 (13) "Creditable compensation" means all salary, wages, and fees, including payments  
2 for compensatory time, paid to the employee as a result of services performed for  
3 the employer or for time during which the member is on paid leave, which are  
4 includable on the member's federal form W-2 wage and tax statement under the  
5 heading "wages, tips, other compensation", including employee contributions  
6 picked up after August 1, 1982, pursuant to KRS 78.610(4). A lump-sum bonus,  
7 severance pay, or employer-provided payment for purchase of service credit shall  
8 be included as creditable compensation but shall be averaged over the employee's  
9 service with the system in which it is recorded if it is equal to or greater than one  
10 thousand dollars (\$1,000). If compensation includes maintenance and other  
11 perquisites, the board shall fix the value of that part of the compensation not paid in  
12 money. Living allowances, expense reimbursements, lump-sum payments for  
13 accrued vacation leave, sick leave except as provided in KRS 78.616(5), and other  
14 items determined by the board shall be excluded. Creditable compensation shall  
15 also include amounts that are not includable in the member's gross income by virtue  
16 of the member having taken a voluntary salary reduction provided for under  
17 applicable provisions of the Internal Revenue Code. Creditable compensation shall  
18 also include elective amounts for qualified transportation fringes paid or made  
19 available on or after January 1, 2001, for calendar years on or after January 1, 2001,  
20 that are not includable in the gross income of the employee by reason of 26 U.S.C.  
21 sec. 132(f)(4). **For employees who begin participating on or after September 1,**  
22 **2008, creditable compensation shall not include payments for compensatory time;**

23 (14) "Final compensation" means:

24 (a) For a member who **begins participating before September 1, 2008, who** is  
25 **not** employed in a **hazardous**~~nonhazardous~~ position, as provided in KRS  
26 61.592, the creditable compensation of the member during the five (5) fiscal  
27 years he was paid at the highest average monthly rate divided by the number

- 1 of months of service credit during that five (5) year period multiplied by  
2 twelve (12). The five (5) years may be fractional and need not be consecutive.  
3 If the number of months of service credit during the five (5) year period is less  
4 than forty-eight (48), one (1) or more additional fiscal years shall be used; or
- 5 (b) For a member who is not employed in a hazardous position, as provided in  
6 KRS 61.592, whose effective retirement date is between August 1, 2001, and  
7 January 1, 2009, and whose total service credit is at least twenty-seven (27)  
8 years and whose age and years of service total at least seventy-five (75), final  
9 compensation means the creditable compensation of the member during the  
10 three (3) fiscal years the member was paid at the highest average monthly rate  
11 divided by the number of months of service credit during that three (3) year  
12 period multiplied by twelve (12). The three (3) years may be fractional and  
13 need not be consecutive. If the number of months of service credit during the  
14 three (3) year period is less than twenty-four (24), one (1) or more additional  
15 fiscal years shall be used. Notwithstanding the provision of KRS 61.565, the  
16 funding for this paragraph shall be provided from existing funds of the  
17 retirement allowance; or
- 18 (c) For a member who *begins participating before September 1, 2008, who* is  
19 employed in a hazardous position, as provided in KRS 61.592, the creditable  
20 compensation of the member during the three (3) fiscal years he was paid at  
21 the highest average monthly rate divided by the number of months of service  
22 credit during that three (3) year period multiplied by twelve (12). The three  
23 (3) years may be fractional and need not be consecutive. If the number of  
24 months of service credit during the three (3) year period is less than twenty-  
25 four (24), one (1) or more additional fiscal years shall be used; *or*
- 26 *(d) For a member who begins participating on or after September 1, 2008, who*  
27 *is not employed in a hazardous position, as provided in Section 17 of this*

Act, the creditable compensation of the member during the five (5) complete fiscal years immediately preceding retirement divided by five (5). Each fiscal year used to determine final compensation must contain twelve (12) months of service credit; or

(e) For a member who begins participating on or after September 1, 2008, who is employed in a hazardous position, as provided in Section 17 of this Act, the creditable compensation of the member during the three (3) complete fiscal years he was paid at the highest average monthly rate divided by three (3). Each fiscal year used to determine final compensation must contain twelve (12) months of service credit;

(15) "Final rate of pay" means the actual rate upon which earnings of an employee were calculated during the twelve (12) month period immediately preceding the member's effective retirement date, and shall include employee contributions picked up after August 1, 1982, pursuant to KRS 78.610(4). The rate shall be certified to the system by the employer and the following equivalents shall be used to convert the rate to an annual rate: two thousand eighty (2,080) hours for eight (8) hour workdays, one thousand nine hundred fifty (1,950) hours for seven and one-half (7.5) hour workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve (12) months, one (1) year;

(16) "Retirement allowance" means the retirement payments to which a member is entitled;

(17) "Actuarial equivalent" means a benefit of equal value when computed upon the basis of the actuarial tables as are from time to time adopted by the board, except in case of disability retirement, the options authorized by KRS 61.635 shall be computed by adding ten (10) years to the age of the member. No disability retirement option shall be less than the same option computed under early retirement;

- 1 (18) "Normal retirement date" means the sixty-fifth birthday of a member unless  
2 otherwise provided in KRS 78.510~~[78.520]~~ to 78.852;
- 3 (19) "Fiscal year" of the system means the twelve (12) months from July 1 through the  
4 following June 30, which shall also be the plan year;
- 5 (20) "Agency reporting official" means the person designated by the participating  
6 agency who shall be responsible for forwarding all employer and employee  
7 contributions and a record of the contributions to the system and for performing  
8 other administrative duties pursuant to the provisions of KRS 78.510~~[78.520]~~ to  
9 78.852;
- 10 (21) "Regular full-time positions," as used in subsection (6) of this section, shall mean  
11 all positions that average one hundred (100) or more hours per month, determined  
12 by using the number of hours actually worked in a calendar or fiscal year, or eighty  
13 (80) or more hours per month in the case of noncertified employees of school  
14 boards, determined by using the number of hours actually worked in a calendar or  
15 school year, unless otherwise specified, except:
- 16 (a) Seasonal positions, which although temporary in duration, are positions which  
17 coincide in duration with a particular season or seasons of the year and that  
18 may recur regularly from year to year, in which case the period of time shall  
19 not exceed six (6) months in any event;
- 20 (b) Emergency positions that are positions that do not exceed thirty (30) working  
21 days and are nonrenewable;
- 22 (c) Temporary, also referred to as probationary, positions that are positions of  
23 employment with a participating agency for a period of time not to exceed  
24 twelve (12) months and not renewable; or
- 25 (d) Part-time positions that are positions that may be permanent in duration, but  
26 that require less than a calendar or fiscal year average of one hundred (100)  
27 hours of work per month, determined by using the number of months actually



1           worked within a calendar or fiscal year, in the performance of duty, except in  
2           case of noncertified employees of school boards, the school term average shall  
3           be eighty (80) hours of work per month, determined by using the number of  
4           months actually worked in a calendar or school year, in the performance of  
5           duty;

6   (22) "Alternate participation plan" means a method of participation in the system as  
7       provided for by KRS 78.530(3);

8   (23) "Retired member" means any former member receiving a retirement allowance or  
9       any former member who has on file at the retirement office the necessary  
10      documents for retirement benefits and is no longer contributing to the system;

11   (24) "Current rate of pay" means the member's actual hourly, daily, weekly, biweekly,  
12      monthly, or yearly rate of pay converted to an annual rate as defined in final rate of  
13      pay. The rate shall be certified by the employer;

14   (25) "Beneficiary" means the person, persons, estate, trust, or trustee designated by the  
15      member in accordance with KRS 61.542 or 61.705 to receive any available benefits  
16      in the event of the member's death. As used in KRS 61.702, beneficiary shall not  
17      mean an estate, trust, or trustee;

18   (26) "Recipient" means the retired member, the person or persons designated as  
19      beneficiary by the member and drawing a retirement allowance as a result of the  
20      member's death, or a dependent child drawing a retirement allowance. An alternate  
21      payee of a qualified domestic relations order shall be considered a recipient only for  
22      purposes of KRS 61.691;

23   (27) "Person" means a natural person;

24   (28) "School term or year" means the twelve (12) months from July 1 through the  
25      following June 30;

26   (29) "Retirement office" means the Kentucky Retirement Systems office building in  
27      Frankfort;

- 1 (30) "Delayed contribution payment" means an amount paid by an employee for current  
2 service obtained under KRS 61.552. The amount shall be determined using the  
3 same formula in KRS 61.5525, except the determination of the actuarial cost for  
4 classified employees of a school board shall be based on their final compensation,  
5 and the payment shall not be picked up by the employer. A delayed contribution  
6 payment shall be deposited to the member's contribution account and considered as  
7 accumulated contributions of the individual member. In determining payments  
8 under this subsection, the formula found in this subsection shall prevail over the one  
9 found in KRS 212.434;
- 10 (31) "Participating" means an employee is currently earning service credit in the system  
11 as provided in KRS 78.615; and
- 12 (32) "Month" means a calendar month.
- 13 ➔Section 26. KRS 78.616 is amended to read as follows:
- 14 (1) Any agency participating in the County Employees Retirement System which has  
15 formally adopted a sick-leave program that is universally administered to its  
16 employees may purchase service credit with the retirement system for up to six (6)  
17 months of unused sick leave for each retiring employee.
- 18 (2) Participation under this section shall be at the option of each participating  
19 employer. The election to participate shall be made by the governing authority of  
20 the participating employer and shall be certified in writing to the system on forms  
21 prescribed by the board. The certification shall provide for equal treatment of all  
22 employees participating under this section.
- 23 (3) (a) Upon the member's notification of retirement as prescribed in KRS 61.590,  
24 the employer shall certify the retiring employee's unused, accumulated sick-  
25 leave balance to the system. The member's sick-leave balance, expressed in  
26 days, shall be divided by the average number of working days per month in  
27 county service and rounded to the nearest number of whole months. A

1 maximum of six (6) months of the member's sick-leave balance, expressed in  
2 months, shall be added to his service credit for the purpose of determining his  
3 annual retirement allowance under KRS 78.510 to 78.852 and for the purpose  
4 of determining whether the member is eligible to receive a retirement  
5 allowance under KRS 78.510 to 78.852, except as provided by paragraph (d)  
6 of this subsection. Accumulated sick-leave in excess of six (6) months shall  
7 be added to the member's service credit if the member or employer pays to the  
8 retirement system the value of the additional service credit based on the  
9 formula adopted by the board, subject to the restrictions provided by  
10 paragraph (d) of this subsection.

11 (b) The employer may elect to pay fifty percent (50%) of the cost of the sick  
12 leave in excess of six (6) months on behalf of its employees. The employee  
13 shall pay the remaining fifty percent (50%). The payment by the employer  
14 shall not be deposited to the member's account. Service credit shall not be  
15 credited to the member's account until both the employer's and employee's  
16 payments are received by the retirement system.

17 (c) Once the employer elects to pay all or fifty percent (50%) of the cost on  
18 behalf of its employees, it shall continue to pay the same portion of the cost.

19 (d) For a member who begins participating in the retirement systems on or  
20 after September 1, 2008, whose employer has established a sick-leave  
21 program under subsections (1) to (4) and (6) of this section:

22 1. The member shall receive no more than twelve (12) months of service  
23 credit upon retirement for accumulated unused sick leave accrued  
24 while contributing to the retirement system from which the retirement  
25 benefit is to be paid;

1           2. The service added to the member's service credit shall be used for  
2                   purposes of determining the member's annual retirement allowance  
3                   under KRS 78.510 to 78.852;

4           3. The service added to the member's service credit shall not be used to  
5                   determine whether a member is eligible to receive a retirement  
6                   allowance under KRS 78.510 to 78.852; and

7           4. The cost of the service provided by this paragraph shall be paid by the  
8                   employer.

9       (4) The system shall compute the cost of the sick-leave credit of each retiring employee  
10           and bill each employer with whom the employee accrued sick leave accordingly.  
11           The employer shall remit payment within thirty (30) days from receipt of the bill.

12       (5) (a) As an alternative to subsections (1), (3), (4), and (6) of this section, any  
13           agency participating in the County Employees Retirement System which has  
14           formally adopted a sick-leave program that is universally administered to its  
15           employees, or administered to a majority of eligible employees in accordance  
16           with subsection (6) of this section, shall, at the time of termination, or as  
17           provided in KRS 161.155 in the case of school boards, compensate the  
18           employee for unused sick-leave days the employee has accumulated which it  
19           is the uniform policy of the agency to allow.

20           (b) The rate of compensation for each unused sick-leave day shall be based on the  
21           daily salary rate calculated from the employee's current rate of pay. Payment  
22           for unused sick-leave days shall be incorporated into the employee's final  
23           compensation if the employee and employer make the regular employee and  
24           employer contributions, respectively, on the sick-leave payment.

25           (c) The number of sick-leave days for which the employee is compensated shall  
26           be divided by the average number of working days per month in county  
27           service and rounded to the nearest number of whole months. This number of

1 months shall be added to the employee's total service credit and to the number  
2 of months used to determine creditable compensation, pursuant to KRS  
3 78.510, but no more than sixty (60) months shall be used to determine final  
4 compensation. *For an employee who begins participating on or after*  
5 *September 1, 2008, the number of months added to the employee's total*  
6 *service credit under this paragraph shall not exceed twelve (12) months, and*  
7 *the additional service shall not be used to determine whether a member is*  
8 *eligible to receive a retirement allowance under KRS 78.510 to 78.852.*

- 9 (6) Any city of the first class that has two (2) or more sick-leave programs for its  
10 employees may purchase service credit with the retirement system for up to six (6)  
11 months of unused sick leave for each retiring employee who participates in the sick-  
12 leave program administered to a majority of the eligible employees of the city. An  
13 employee participating in a sick-leave program administered to a minority of the  
14 eligible employees shall become eligible for the purchase of service credit under  
15 this subsection when the employee commences participating in the sick-leave  
16 program that is administered to a majority of the eligible employees of the city.

17 ➔Section 27. KRS 78.640 is amended to read as follows:

- 18 (1) The members' contribution account shall be the account to which all members'  
19 contributions, or contributions picked up by the employer after August 1, 1982, and  
20 interest allowances as provided in KRS 78.510 to 78.852 shall be credited. From  
21 this account shall be paid the accumulated contributions of a member required to be  
22 returned to him upon withdrawal, or paid in the event of his death before retirement.  
23 Prior to the member's retirement, death, or refund in accordance with KRS 61.625,  
24 no funds shall be made available from the member contribution account.
- 25 (2) Each member's contribution or contribution picked up by the employer shall be  
26 credited to the individual account of the contributing member.

1 (3) Each member on June 30 of each year shall have his individual account credited  
2 with interest.

3 (a) For a member who begins participating before September 1, 2008, interest  
4 shall be credited to his individual account at a rate determined by the board  
5 but not less than two percent (2%) per annum on the accumulated  
6 contributions of the member on June 30 of the preceding fiscal year.

7 (b) For a member who begins participating on or after September 1, 2008,  
8 interest shall be credited to his or her individual account at a rate of two  
9 and one-half percent (2.5%) per annum on the accumulated contributions  
10 of the member on June 30 of the preceding fiscal year.~~[and]~~

11 The amounts ~~of interest~~~~[so]~~ credited to a member's account under this subsection  
12 shall be transferred from the retirement allowance account.

13 (4) Upon the retirement of a member, his accumulated contributions shall be  
14 transferred from the members' contribution account to the retirement allowance  
15 account.

16 ➔Section 28. KRS 161.155 is amended to read as follows:

17 (1) As used in this section:

18 (a) "Teacher" shall mean any person for whom certification is required as a basis  
19 of employment in the common schools of the state;

20 (b) "Employee" shall mean any person, other than a teacher, employed in the  
21 public schools, whether on a full or part-time basis;

22 (c) "Immediate family" shall mean the teacher's or employee's spouse, children  
23 including stepchildren and foster children, grandchildren, daughters-in-law  
24 and sons-in law, brothers and sisters, parents and spouse's parents, and  
25 grandparents and spouse's grandparents, without reference to the location or  
26 residence of said relative, and any other blood relative who resides in the  
27 teacher's or employee's home;

1 (d) "Sick leave bank" shall mean an aggregation of sick leave days contributed by  
2 teachers or employees for use by teachers or employees who have exhausted  
3 all sick leave and other available paid leave days; and

4 (e) "Assault" shall mean an act that intentionally causes injury so significant that  
5 the victim is determined to be, by certification of a physician or surgeon duly  
6 qualified under KRS Chapter 342, incapable of performing the duties of his or  
7 her job.

8 (2) Each district board of education shall allow to each teacher and full-time employee  
9 in its common school system not less than ten (10) days of sick leave during each  
10 school year, without deduction of salary. Sick leave shall be granted to a teacher or  
11 employee if he or she presents a personal affidavit or a certificate of a physician  
12 stating that the teacher or employee was ill, that the teacher or employee was absent  
13 for the purpose of attending to a member of his or her immediate family who was  
14 ill, or for the purpose of mourning a member of his or her immediate family. The  
15 ten (10) days of sick leave granted in this subsection may be taken by a teacher or  
16 employee on any ten (10) days of the school year and shall be granted in addition to  
17 accumulated sick leave days that have been credited to the teacher or employee  
18 under the provisions of subsection (4) of this section.

19 (3) A school district shall coordinate among the income and benefits from workers'  
20 compensation, temporary disability retirement, and district payroll and benefits so  
21 that there is no loss of income or benefits to a teacher or employee for work time  
22 lost because of an assault while performing the teacher's or employee's assigned  
23 duties for a period of up to one (1) year after the assault. In the event a teacher or  
24 employee suffers an assault while performing his or her assigned duties that results  
25 in injuries that qualify the teacher or employee for workers' compensation benefits,  
26 the district shall provide leave to the teacher or employee for up to one (1) year  
27 after the assault with no loss of income or benefits under the following conditions:

- 1 (a) The district shall pay the salary of the teacher or employee between the time  
2 of the assault and the time the teacher's or employee's workers' compensation  
3 income benefits take effect, or the time the teacher or employee is certified to  
4 return to work by a physician or surgeon duly qualified under KRS Chapter  
5 342, whichever is sooner;
- 6 (b) The district shall pay, for up to one (1) year from the time of the assault, the  
7 difference between the salary of the teacher or employee and any workers'  
8 compensation income benefits received by the teacher or employee resulting  
9 from the assault. Payments by the district shall include payments for  
10 intermittent work time missed as a result of the assault during the one (1) year  
11 period. If the teacher's or employee's workers' compensation income benefits  
12 cease during the one (1) year period after the assault, the district shall also  
13 cease to make payments under this paragraph;
- 14 (c) The Commonwealth, through the Kentucky Department of Education, shall  
15 make the employer's health insurance contribution during the period that the  
16 district makes payments under paragraphs (a) and (b) of this subsection;
- 17 (d) The Commonwealth, through the Kentucky Department of Education, shall  
18 make the employer's contribution to the retirement system in which the  
19 teacher or employee is a member during the period that the district makes  
20 payments under paragraphs (a) and (b) of this subsection; and
- 21 (e) Payments to a teacher or employee under paragraphs (a) and (b) of this  
22 subsection shall be coordinated with workers' compensation benefits under  
23 KRS Chapter 342, disability retirement benefits for teachers under KRS  
24 161.661 to 161.663, and disability retirement benefits for employees under  
25 KRS 61.600 to 61.621 and 78.545 so that the teacher or employee receives  
26 income equivalent to his or her full contracted salary, but in no event shall the



1 combined payments exceed one hundred percent (100%) of the teacher's or  
2 employee's full contracted salary.

3 (4) Days of sick leave not taken by an employee or a teacher during any school year  
4 shall accumulate without limitation and be credited to that employee or teacher.  
5 Accumulated sick leave may be taken in any school year. Any district board of  
6 education may, in its discretion, allow employees or teachers in its common school  
7 system sick leave in excess of the number of days prescribed in this section and  
8 may allow school district employees and teachers to use up to three (3) days' sick  
9 leave per school year for emergency leave pursuant to KRS 161.152(3). Any  
10 accumulated sick leave days credited to an employee or a teacher shall remain so  
11 credited in the event he or she transfers his or her place of employment from one (1)  
12 school district to another within the state or to the Kentucky Department of  
13 Education or transfers from the Department of Education to a school district.

14 (5) Accumulated days of sick leave shall be granted to a teacher or employee if, prior to  
15 the opening day of the school year, an affidavit or a certificate of a physician is  
16 presented to the district board of education, stating that the teacher or employee is  
17 unable to commence his or her duties on the opening day of the school year, but  
18 will be able to assume his or her duties within a period of time that the board  
19 determines to be reasonable.

20 (6) Any school teacher or employee may repurchase previously used sick leave days  
21 with the concurrence of the local school board by paying to the district an amount  
22 equal to the total of all costs associated with the used sick leave.

23 (7) A district board of education may adopt a plan for a sick leave bank. The plan may  
24 include limitations upon the number of days a teacher or employee may annually  
25 contribute to the bank and limitations upon the number of days a teacher or  
26 employee may annually draw from the bank. Only those teachers or employees who  
27 contribute to the bank may draw upon the bank. Days contributed will be deducted

1 from the days available to the contributing teacher or employee. The sick leave  
2 bank shall be administered in accordance with a policy adopted by the board of  
3 education.

- 4 (8) (a) A district board of education shall establish a sick leave donation program to  
5 permit teachers or employees to voluntarily contribute sick leave to teachers  
6 or employees in the same school district who are in need of an extended  
7 absence from school. A teacher or employee who has accrued more than  
8 fifteen (15) days' sick leave may request the board of education to transfer a  
9 designated amount of sick leave to another teacher or employee who is  
10 authorized to receive the sick leave donated. A teacher or employee may not  
11 request an amount of sick leave be donated that reduces his or her sick leave  
12 balance to less than fifteen (15) days.

13 (b) A teacher or employee may receive donations of sick leave if:

- 14 1. a. The teacher or employee or a member of his or her immediate  
15 family suffers from a medically certified illness, injury,  
16 impairment, or physical or mental condition that has caused or is  
17 likely to cause the teacher or employee to be absent for at least ten  
18 (10) days; or  
19 b. The teacher or employee suffers from a catastrophic loss to his or  
20 her personal or real property, due to either a natural disaster or fire,  
21 that either has caused or will likely cause the employee to be  
22 absent for at least ten (10) consecutive working days;  
23 2. The teacher's or employee's need for the absence and use of leave are  
24 certified by a licensed physician for leave requested under subparagraph  
25 1.a. of this subsection;

- 1           3.    The teacher or employee has exhausted his or her accumulated sick  
2           leave, personal leave, and any other leave granted by the school district;  
3           and  
4           4.    The teacher or employee has complied with the school district's policies  
5           governing the use of sick leave.
- 6           (c)   While a teacher or employee is on sick leave provided by this section, he or  
7           she shall be considered a school district employee, and his or her salary,  
8           wages, and other employee benefits shall not be affected.
- 9           (d)   Any sick leave that remains unused, is not needed by a teacher or employee,  
10          and will not be needed in the future shall be returned to the teacher or  
11          employee donating the sick leave.
- 12          (e)   The board of education shall adopt policies and procedures necessary to  
13          implement the sick leave donation program.
- 14    (9)   A teacher or employee may use up to thirty (30) days of sick leave following the  
15          birth or adoption of a child or children. Additional days may be used when the need  
16          is verified by a physician's statement.
- 17    (10) (a)   After July 1, 1982, a district board of education may compensate, at the time  
18          of retirement or upon the death of a member in active contributing status at  
19          the time of death who was eligible to retire by reason of service, an employee  
20          or a teacher, or the estate of an employee or teacher, for each unused sick  
21          leave day. The rate of compensation for each unused sick leave day shall be  
22          based on a percentage of the daily salary rate calculated from the employee's  
23          or teacher's last annual salary, not to exceed thirty percent (30%). Payment for  
24          unused sick leave days shall be incorporated into the annual salary of the final  
25          year of service for inclusion in the calculation of only the employee's or  
26          teacher's initial retirement allowance; provided that the member makes the  
27          regular retirement contribution for members on the sick leave payment. The

1 accumulation of these days includes unused sick leave days held by the  
2 employee or teacher at the time of implementation of the program.

3 **(b) For a teacher or employee who begins employment with a local school**  
4 **district on or after July 1, 2008, the maximum amount of unused sick leave**  
5 **days a district board of education may recognize in calculating the payment**  
6 **of compensation to the teacher or employee under this subsection shall not**  
7 **exceed three hundred (300) days.**

8 (11) Any statute to the contrary notwithstanding, employees and teachers who  
9 transferred from the Department of Education to a school district, from a school  
10 district to the Department of Education, or from one (1) school district to another  
11 school district after July 15, 1981, shall receive credit for any unused sick leave to  
12 which the employee or teacher was entitled on the date of transfer. This credit shall  
13 be for the purposes set forth in subsection (10) of this section.

14 (12) The death benefit provided in subsection (10) of this section may be cited as the  
15 Baughn Benefit.

16 ➔Section 29. KRS 161.220 is amended to read as follows:

17 As used in KRS 161.220 to 161.716 and KRS 161.990:

18 (1) "Retirement system" means the arrangement provided for in KRS **161.220**~~[161.230]~~  
19 to 161.716 and KRS 161.990 for payment of allowances to members;

20 (2) "Retirement allowance" means the amount annually payable during the course of  
21 his natural life to a member who has been retired by reason of service;

22 (3) "Disability allowance" means the amount annually payable to a member retired by  
23 reason of disability;

24 (4) "Member" means the commissioner of education, deputy commissioners, associate  
25 commissioners, and all division directors in the State Department of Education, and  
26 any full-time teacher or professional occupying a position requiring certification or

1 graduation from a four (4) year college or university, as a condition of employment,  
2 and who is employed by public boards, institutions, or agencies as follows:

- 3 (a) Local boards of education;
- 4 (b) Eastern Kentucky University, Kentucky State University, Morehead State  
5 University, Murray State University, Western Kentucky University, and any  
6 community colleges established under the control of these universities;
- 7 (c) State-operated secondary area vocational education or area technology  
8 centers, Kentucky School for the Blind, and Kentucky School for the Deaf;
- 9 (d) Education Professional Standards Board, other public education agencies as  
10 created by the General Assembly, and those members of the administrative  
11 staff of the Teachers' Retirement System of the State of Kentucky whom the  
12 board of trustees may designate by administrative regulation;
- 13 (e) Regional cooperative organizations formed by local boards of education or  
14 other public educational institutions listed in this subsection, for the purpose  
15 of providing educational services to the participating organizations;
- 16 (f) All full-time members of the staffs of the Kentucky Association of School  
17 Administrators, Kentucky Education Association, Kentucky Vocational  
18 Association, Kentucky High School Athletic Association, Kentucky  
19 Academic Association, and the Kentucky School Boards Association who  
20 were members of the Kentucky Teachers' Retirement System or were  
21 qualified for a position covered by the system at the time of employment by  
22 the association in the event that the board of directors of the respective  
23 association petitions to be included. The board of trustees of the Kentucky  
24 Teachers' Retirement System may designate by resolution whether part-time  
25 employees of the petitioning association are to be included. The state shall  
26 make no contributions on account of these employees, either full-time or part-  
27 time. The association shall make the employer's contributions, including any

1 contribution that is specified under KRS 161.550. The provisions of this  
2 paragraph shall be applicable to persons in the employ of the associations on  
3 or subsequent to July 1, 1972;

4 (g) Employees of the Council on Postsecondary Education who were employees  
5 of the Department for Adult Education and Literacy and who were members  
6 of the Kentucky Teachers' Retirement System at the time the department was  
7 transferred to the council pursuant to Executive Order 2003-600;

8 (h) The Office of Career and Technical Education, except that the executive  
9 director shall not be a member;

10 (i) The Office of Vocational Rehabilitation;

11 (j) The Kentucky Educational Collaborative for State Agency Children;

12 (k) The Governor's Scholars Program;

13 (l) Any person who is retired for service from the retirement system and is  
14 reemployed by an employer identified in this subsection in a position that the  
15 board of trustees deems to be a member;

16 (m) Employees of the former Cabinet for Workforce Development who are  
17 transferred to the Kentucky Community and Technical College System and  
18 who occupy positions covered by the Kentucky Teachers' Retirement System  
19 shall remain in the Teachers' Retirement System. New employees occupying  
20 these positions, as well as newly created positions qualifying for Teachers'  
21 Retirement System coverage that would have previously been included in the  
22 former Cabinet for Workforce Development, shall be members of the  
23 Teachers' Retirement System;

24 (n) Effective January 1, 1998, employees of state community colleges who are  
25 transferred to the Kentucky Community and Technical College System shall  
26 continue to participate in federal old age, survivors, disability, and hospital  
27 insurance and a retirement plan other than the Kentucky Teachers' Retirement

- 1 System offered by Kentucky Community and Technical College System. New  
2 employees occupying positions in the Kentucky Community and Technical  
3 College System as referenced in KRS 164.5807(5) that would not have  
4 previously been included in the former Cabinet for Workforce Development,  
5 shall participate in federal old age, survivors, disability, and hospital  
6 insurance and have a choice at the time of employment of participating in a  
7 retirement plan provided by the Kentucky Community and Technical College  
8 System, including participation in the Kentucky Teachers' Retirement System,  
9 on the same basis as faculty of the state universities as provided in KRS  
10 161.540 and 161.620;
- 11 (o) Employees of the Office of General Counsel, the Office of Budget and  
12 Administrative Services, and the Office of Quality and Human Resources  
13 within the Office of the Secretary of the former Cabinet for Workforce  
14 Development and the commissioners of the former Department for Adult  
15 Education and Literacy and the former Department for Technical Education  
16 who were contributing to the Kentucky Teachers' Retirement System as of  
17 July 15, 2000; and
- 18 (p) Employees of the Kentucky Department of Education only who are graduates  
19 of a four (4) year college or university, notwithstanding a substitution clause  
20 within a job classification, and who are serving in a professional position as  
21 defined by the department.
- 22 (5) "Present teacher" means any teacher who was a teacher on or before July 1, 1940,  
23 and became a member of the retirement system created by 1938 (1st Extra. Sess.)  
24 Ky. Acts ch. 1, on the date of the inauguration of the system or within one (1) year  
25 after that date, and any teacher who was a member of a local teacher retirement  
26 system in the public elementary or secondary schools of the state on or before July  
27 1, 1940, and continued to be a member of the system until he, with the membership

1 of the local retirement system, became a member of the state Teachers' Retirement  
2 System or who becomes a member under the provisions of KRS 161.470(4);

3 (6) "New teacher" means any member not a present teacher;

4 (7) "Prior service" means the number of years during which the member was a teacher  
5 in Kentucky prior to July 1, 1941, except that not more than thirty (30) years' prior  
6 service shall be allowed or credited to any teacher;

7 (8) "Subsequent service" means the number of years during which the teacher is a  
8 member of the Teachers' Retirement System after July 1, 1941;

9 (9) "Final average salary" means the average of the five (5) highest annual salaries  
10 which the member has received for service in a covered position and on which the  
11 member has made contributions, or on which the public board, institution, or  
12 agency has picked-up member contributions pursuant to KRS 161.540(2), or the  
13 average of the five (5) years of highest salaries as defined in KRS 61.680(2)(a),  
14 which shall include picked-up member contributions. Additionally, the board of  
15 trustees may approve a final average salary based upon the average of the three (3)  
16 highest salaries for members who are at least fifty-five (55) years of age and have a  
17 minimum of twenty-seven (27) years of Kentucky service credit. However, if any of  
18 the five (5) or three (3) highest annual salaries used to calculate the final average  
19 salary was paid within the three (3) years immediately prior to the date of the  
20 member's retirement, the amount of salary to be included for each of those three (3)  
21 years for the purpose of calculating the final average salary shall be limited to the  
22 lesser of:

23 (a) The member's actual salary; or

24 (b) The member's annual salary that was used for retirement purposes during each  
25 of the prior three (3) years, plus a percentage increase equal to the percentage  
26 increase received by all other members employed by the public board,  
27 institution, or agency, or for members of school districts, the highest



1 percentage increase received by members on any one (1) rank and step of the  
2 salary schedule of the school district. The increase shall be computed on the  
3 salary that was used for retirement purposes.

4 This limitation shall not apply if the member receives an increase in salary in a  
5 percentage exceeding that received by the other members, and this increase was  
6 accompanied by a corresponding change in position or in length of employment.

7 This limitation shall also not apply to the payment to a member for accrued annual  
8 leave *if the individual becomes a member before July 1, 2008,* or accrued sick  
9 leave which is authorized by statute and which shall be included as part of a retiring  
10 member's annual compensation for the member's last year of active service;

11 (10) "Annual compensation" means the total salary received by a member as  
12 compensation for all services performed in employment covered by the retirement  
13 system during a fiscal year. Annual compensation shall not include payment for any  
14 benefit or salary adjustments made by the public board, institution, or agency to the  
15 member or on behalf of the member which is not available as a benefit or salary  
16 adjustment to other members employed by that public board, institution, or agency.  
17 Annual compensation shall not include the salary supplement received by a member  
18 under KRS 158.6455 or 158.782 on or after July 1, 1996. Under no circumstances  
19 shall annual compensation include compensation that is earned by a member while  
20 on assignment to an organization or agency that is not a public board, institution, or  
21 agency listed in subsection (4) of this section. In the event that federal law requires  
22 that a member continue membership in the retirement system even though the  
23 member is on assignment to an organization or agency that is not a public board,  
24 institution, or agency listed in subsection (4) of this section, the member's annual  
25 compensation for retirement purposes shall be deemed to be the annual  
26 compensation, as limited by subsection (9) of this section, last earned by the  
27 member while still employed solely by and providing services directly to a public

board, institution, or agency listed in subsection (4) of this section. The board of trustees shall determine if any benefit or salary adjustment qualifies as annual compensation. **For an individual who becomes a member on or after July 1, 2008, annual compensation shall not include lump-sum payments upon termination of employment for accumulated annual or compensatory leave;**

(11) "Age of member" means the age attained on the first day of the month immediately following the birthdate of the member. This definition is limited to retirement eligibility and does not apply to tenure of members;

(12) "Employ," and derivatives thereof, means relationships under which an individual provides services to an employer as an employee, as an independent contractor, as an employee of a third party, or under any other arrangement as long as the services provided to the employer are provided in a position that would otherwise be covered by the Kentucky Teachers' Retirement System and as long as the services are being provided to a public board, institution, or agency listed in subsection (4) of this section;

(13) "Regular interest" means interest at three percent (3%) per annum, **except for an individual who becomes a member on or after July 1, 2008, 'regular interest' means interest at two and one-half percent (2.5%) per annum for purposes of crediting interest to the teacher savings account or any other contributions made by the employee that are refundable to the employee upon termination of employment;**

(14) "Accumulated contributions" means the contributions of a member to the teachers' savings fund, including picked-up member contributions as described in KRS 161.540(2), plus accrued regular interest;

(15) "Annuitant" means a person who receives a retirement allowance or a disability allowance;

- 1 (16) "Local retirement system" means any teacher retirement or annuity system created  
2 in any public school district in Kentucky in accordance with the laws of Kentucky;
- 3 (17) "Fiscal year" means the twelve (12) month period from July 1 to June 30. The  
4 retirement plan year is concurrent with this fiscal year. A contract for a member  
5 employed by a local board of education may not exceed two hundred sixty-one  
6 (261) days in the fiscal year;
- 7 (18) "Public schools" means the schools and other institutions mentioned in subsection  
8 (4) of this section;
- 9 (19) "Dependent" as used in KRS 161.520 and 161.525 means a person who was  
10 receiving, at the time of death of the member, at least one-half (1/2) of the support  
11 from the member for maintenance, including board, lodging, medical care, and  
12 related costs;
- 13 (20) "Active contributing member" means a member currently making contributions to  
14 the Teachers' Retirement System, who made contributions in the next preceding  
15 fiscal year, for whom picked-up member contributions are currently being made, or  
16 for whom these contributions were made in the next preceding fiscal year;
- 17 (21) "Full-time" means employment in a position that requires services on a continuing  
18 basis equal to at least seven-tenths (7/10) of normal full-time service on a fiscal  
19 year basis;
- 20 (22) "Full actuarial cost," when used to determine the payment that a member must pay  
21 for service credit means the actuarial value of all costs associated with the  
22 enhancement of a member's benefits or eligibility for benefit enhancements,  
23 including health insurance supplement payments made by the retirement system.  
24 The actuary for the retirement system shall determine the full actuarial value costs  
25 and actuarial cost factor tables as provided in KRS 161.400; and
- 26 (23) "Last annual compensation" means the annual compensation, as defined by  
27 subsection (10) of this section and as limited by subsection (9) of this section,

1       earned by the member during the most recent period of contributing service, either  
2       consecutive or nonconsecutive, that is sufficient to provide the member with one (1)  
3       full year of service credit in the Kentucky Teachers' Retirement System, and which  
4       compensation is used in calculating the member's initial retirement allowance,  
5       excluding bonuses, retirement incentives, payments for accumulated sick, annual,  
6       personal and compensatory leave, and any other lump-sum payment. **For an**  
7       **individual who becomes a member on or after July 1, 2008, payments for annual**  
8       **or compensatory leave shall not be included in determining the member's last**  
9       **annual compensation.**

10       ➔Section 30. KRS 161.250 is amended to read as follows:

- 11       (1) **(a)** The general administration and management of the retirement system, and the  
12               responsibility for its proper operation and for making effective provisions of  
13               KRS 161.155 and 161.220 to 161.714 are vested in a board of trustees to be  
14               known as the "Board of Trustees of the Teachers' Retirement System of the  
15               State of Kentucky."
- 16       **(b)** The board of trustees shall consist of the chief state school officer, the State  
17               Treasurer, and seven (7) other trustees elected as provided in KRS 161.260.  
18               Four (4) of the elective trustees shall be members of the retirement system, to  
19               be known as teacher trustees, two (2) shall be persons who are not members  
20               of the teaching profession, to be known as the lay trustees, and one (1) shall  
21               be an annuitant of the retirement system to be known as the retired teacher  
22               trustee. One (1) teacher trustee shall be elected annually for a four-year term.  
23               The retired teacher trustee shall be elected every four (4) years. The chief state  
24               school officer and the State Treasurer are considered ex officio members of  
25               the board of trustees and may designate in writing a person to represent them  
26               at board meetings.

1 (c) Elective trustees shall not serve more than three (3) consecutive four (4)  
2 year terms. An elective trustee who has served three (3) consecutive terms  
3 may be elected again after an absence of four (4) years from the board of  
4 trustees.

5 (2) A member, retired member, or designated beneficiary may appeal the retirement  
6 system's decisions that materially affect the amount of service retirement allowance,  
7 amount of service credit, eligibility for service retirement, or eligibility for  
8 survivorship benefits to which that member, retired member, or designated  
9 beneficiary claims to be entitled. All appeals must be in writing and filed with the  
10 retirement system within thirty (30) days of the claimant's first notice of the  
11 retirement system's decision. For purposes of this section, notice shall be complete  
12 and effective upon the date of mailing of the retirement system's decision to the  
13 claimant at the claimant's last known address. Failure by the claimant to file a  
14 written appeal with the retirement system within the thirty (30) day period shall  
15 result in the decision of the retirement system becoming permanent with the effect  
16 of a final and unappealable order. Appeals may include a request for an  
17 administrative hearing which shall be conducted in accordance with the provisions  
18 of KRS Chapter 13B. The board of trustees may establish an appeals committee  
19 whose members shall be appointed by the chairperson and who shall have the  
20 authority to act upon the report and recommendation of the hearing officer by  
21 issuing a final order on behalf of the full board of trustees. A member, retired  
22 member, or designated beneficiary who has filed a timely, written appeal of a  
23 decision of the retirement system may, following the administrative hearing and  
24 issuance of the final order by the board of trustees, appeal the final order of the  
25 board of trustees to the Franklin Circuit Court in accordance with the provisions of  
26 KRS Chapter 13B.

1 (3) The board of trustees shall establish a formal trustee education program for all  
2 trustees of the board. The program shall include but not be limited to the  
3 following:

4 (a) A required orientation program for all new trustees to the board. The  
5 orientation program shall include training on benefits and benefits  
6 administration; investment concepts, policies, and current composition and  
7 administration of retirement system investments; laws, bylaws, and  
8 administrative regulations pertaining to the retirement system and to  
9 fiduciaries; and actuarial and financial concepts pertaining to the  
10 retirement system. If a trustee fails to complete the orientation program  
11 within one (1) year from the beginning of his or her first term on the board,  
12 the retirement system shall withhold payment of the per diem and travel  
13 expenses due to the board member under KRS 161.290 until the trustee has  
14 completed the orientation program;

15 (b) Annual required training for trustees on the administration, benefits,  
16 financing, and investing of the retirement system. If a trustee fails to  
17 complete the annual required training during the calendar or fiscal year,  
18 the retirement system shall withhold payment of the per diem and travel  
19 expenses due to the board member under KRS 161.290 until the board  
20 member has met the annual training requirements; and

21 (c) The retirement system shall incorporate by reference in an administrative  
22 regulation, pursuant to KRS 13A.2251, the trustee education program.

23 (4) In order to improve public transparency regarding the administration of the  
24 system, the board of trustees shall adopt a best practices model by posting the  
25 following information to the retirement system's Web site and shall make  
26 available to the public;

1 (a) Meeting notices and agendas for all meetings of the board. Notices and  
2 agendas shall be posted to the retirement system's Web site at least seventy-  
3 two (72) hours in advance of the board or committee meetings, except in the  
4 case of special or emergency meetings as provided by KRS 61.823;

5 (b) The Comprehensive Annual Financial Report with the information as  
6 follows:

7 1. A general overview and update on the retirement system by the  
8 executive secretary;

9 2. A listing of the board of trustees;

10 3. A listing of key staff;

11 4. An organizational chart;

12 5. Financial information, including a statement of plan net assets, a  
13 statement of changes in plan net assets, an actuarial value of assets, a  
14 schedule of investments, a statement of funded status and funding  
15 progress, and other supporting data;

16 6. Investment information, including a general overview, a list of the  
17 retirement system's professional consultants, a total return on  
18 retirement system investments over a historical period, an investment  
19 summary, contracted investment management expenses, transaction  
20 commissions, and a schedule of investments;

21 7. The annual actuarial valuation report on the pension benefit and the  
22 medical insurance benefit; and

23 8. A general statistical section, including information on contributions,  
24 benefit payouts, and retirement system demographic data;

25 (c) All external audits;

- 1       (d) All board minutes or other materials that require adoption or ratification by  
2               the board of trustees. The items listed in this paragraph shall be posted  
3               within seventy-two (72) hours of adoption or ratification of the board;
- 4       (e) All bylaws, policies, or procedures adopted or ratified by the board of  
5               trustees;
- 6       (f) The retirement system's summary plan description;
- 7       (g) The retirement system's law book;
- 8       (h) A listing of the members of the board of trustees and membership on each  
9               committee established by the board, including any investment committees;
- 10       (i) All investment holdings and commissions for each fund administered by the  
11               board. The board shall update the list of holdings and commissions on a  
12               quarterly basis for fiscal years beginning on or after July 1, 2008; and
- 13       (j) An update of investment returns, asset allocations, and the performance of  
14               the funds against benchmarks adopted by the board for each fund and for  
15               each asset class administered by the board. The update shall be posted on a  
16               quarterly basis for fiscal years beginning on or after July 1, 2008.
- 17       (5) Notwithstanding the requirements of subsection (4) of this section, the retirement  
18               system shall not be required to furnish information that is protected under KRS  
19               161.585, exempt under KRS 61.878, or that, if disclosed, would compromise the  
20               retirement system's ability to competitively invest in real estate or other asset  
21               classes or to competitively negotiate vendor fees.
- 22       (6) For any benefit improvements the General Assembly has authorized the board of  
23               trustees to establish under KRS 161.220 to 161.716 and that require formal  
24               adoption by the board, the board shall establish the benefits by promulgation of  
25               administrative regulations in accordance with KRS Chapter 13A.
- 26       ➔Section 31. KRS 161.420 is amended to read as follows:



1 All of the assets of the retirement system are for the exclusive purpose of providing  
2 benefits to members and annuitants and defraying reasonable expenses of administering  
3 the system. The board of trustees shall be the trustee of all funds of the system and shall  
4 have full power and responsibility for administering the funds. It is hereby declared that  
5 the restrictions and rights provided herein shall not be subject to reduction or impairment  
6 by alteration, amendment, or repeal. All the assets of the retirement system shall be  
7 credited according to the purpose for which they are held to one (1) of the following  
8 funds:

9 (1) The expense fund shall consist of the funds set aside from year to year by the board  
10 of trustees to defray the expenses of the administration of the retirement system.  
11 Each fiscal year an amount not greater than four percent (4%) of the dividends and  
12 interest income earned from investments during the immediate past fiscal year shall  
13 be set aside into the expense fund or expended for the administration of the  
14 retirement system;

15 (2) The teachers' savings fund shall consist of the contributions paid by members of the  
16 retirement system into this fund and regular interest assigned by the board of  
17 trustees from the guarantee fund. A member may not borrow any amount of his or  
18 her accumulated contributions to this fund, or any interest earned thereon. The  
19 accumulated contributions of a member returned to him upon his withdrawal or  
20 paid to his estate or designated beneficiary in the event of his death shall be paid  
21 from the teachers' savings fund. Any accumulated contributions forfeited by a  
22 failure of a teacher or his estate to claim these contributions shall be transferred  
23 from the teachers' savings fund to the guarantee fund. The accumulated  
24 contributions of a member shall be transferred from the teachers' savings fund to the  
25 allowance reserve fund in the event of retirement by reason of service or disability;

26 (3) The state accumulation fund shall consist of funds appropriated by the state for the  
27 purpose of providing annuities and survivor benefits, including any sums

appropriated for meeting unfunded liabilities, together with regular interest assigned by the board of trustees from the guarantee fund. At the time of retirement or death of a member there shall be transferred from the state accumulation fund to the allowance reserve fund an amount which together with the sum transferred from the teachers' savings fund will be sufficient to provide the member a retirement allowance and provide for benefits under KRS 161.520 and 161.525;

(4) The allowance reserve fund shall be the fund from which shall be paid all retirement allowances and benefits provided under KRS 161.520 and 161.525. In addition, whenever a change in the status of a member results in an obligation on this fund, there shall be transferred to this fund from the teachers' savings fund and the state accumulation fund, the amounts as may be held in those funds for the account or benefit of the member;

(5) The medical insurance fund shall consist of amounts accumulated for the purpose of providing benefits as provided in KRS 161.675, including:~~[-]~~

(a) For individuals who become members before July 1, 2008, one and ~~one-half~~<sup>five-tenths</sup> percent (1.5%) of the gross annual payroll of all members shall be deposited to this fund.~~[- One-half (1/2)]~~ Of this amount, three-quarters of a percent (0.75%) shall derive from member contributions as provided by Section 34 of this Act and three-quarters of a percent (0.75%)~~[- one-half (1/2)]~~ from a state appropriation;~~[-]~~

(b) For individuals who become members on or after July 1, 2008, two and one-half percent (2.5%) of the gross annual payroll of all members shall be deposited to this fund. Of this amount, one and three-quarters percent (1.75%) shall derive from member contributions as provided by Section 34 of this Act and three-quarters of a percent (0.75%) from a state appropriation;

(c) The board of trustees may allocate amounts up to~~[the]~~ three and twenty-five hundredths percent (3.25%) of the total salaries of active members that the state appropriates annually as provided under KRS 161.550~~(1);~~~~[-]~~

(d) ~~[In addition, the medical insurance fund shall be funded by the ]~~Employer medical insurance fund stabilization contributions~~[contribution]~~ as set forth in KRS 161.550~~(2); and~~~~[-]~~

(e) ~~[The medical insurance fund shall receive all ]~~Interest income from the investments of the fund from contributions received by the fund under paragraphs (a) to (d) of this subsection, and from income earned on those investments.

All claims for benefits under KRS 161.675 shall be paid from this fund. Any amounts not required to meet current costs shall be maintained as a reserve for these benefits;

- (6) The guarantee fund shall be maintained to facilitate the crediting of uniform interest on the amounts of the other funds, except the expense fund, to finance operating expenses directly related to investment management services, and to provide a contingent fund out of which special requirements of any of the other funds may be covered. All income, interest, and dividends derived from the authorized deposits and investments shall be paid into the guarantee fund. Any funds received from gifts and bequests, which the board is hereby authorized to accept and expend without limitation in a manner either expressed by the donor or deemed to be in the best interest of the membership, shall be credited to the guarantee fund. Any funds transferred from the teachers' savings fund by reason of lack of claimant or because of a surplus in any fund and any other moneys whose disposition is not otherwise provided for, shall also be credited to the guarantee fund. The interest allowed by the board of trustees to each of the other funds shall be paid to these funds from the guarantee fund. Any deficit occurring in any fund that would not be automatically

1 covered shall be met by the payments from the guarantee fund to that fund. The  
2 board of trustees may, at any time during a fiscal year, transfer from the guarantee  
3 fund to the medical insurance fund an amount not to exceed four percent (4%) of  
4 the income earned from investments during the immediate past year;

5 (7) The school employee annuity fund shall consist of those funds voluntarily  
6 contributed under the provisions of section 403(b) of the Internal Revenue Code by  
7 a retired member of the Teachers' Retirement System with accounts that existed on  
8 or after July 1, 1996. The contributions shall not be picked up as provided in KRS  
9 161.540(2). Separate member accounts shall be maintained for each member. The  
10 board of trustees may promulgate administrative regulations pursuant to KRS  
11 Chapter 13A to manage this program;

12 (8) The supplemental retirement benefit fund shall consist of those funds contributed  
13 by the employer for the purpose of constituting a qualified government excess  
14 benefit plan as described in Section 415 of the Internal Revenue Code for accounts  
15 that existed on or after July 1, 1996. The board of trustees ~~shall~~may promulgate  
16 administrative regulations pursuant to KRS Chapter 13A to administer this  
17 program; and

18 (9) The life insurance benefit fund shall consist of amounts accumulated for the  
19 purpose of providing benefits provided under KRS 161.655. The board of trustees  
20 may allocate to this fund a percentage of the employer and state contributions as  
21 provided under KRS 161.550. The allocation to this fund will be in an amount that  
22 the actuary determines necessary to fund the obligation of providing the benefits  
23 provided under KRS 161.655.

24 ➔Section 32. KRS 161.430 is amended to read as follows:

25 (1) The board of trustees shall be the trustee of the funds of the retirement system and  
26 shall have full power and responsibility for the purchase, sale, exchange, transfer, or  
27 other disposition of the investments and moneys of the retirement system. The

1 board shall, by administrative regulation, establish investment policies and  
2 procedures to carry out their responsibilities. The board shall employ experienced  
3 competent investment counselors to advise it on all matters pertaining to  
4 investment, except the board may employ qualified investment personnel to advise  
5 it on investment matters not to exceed fifty percent (50%) of the book value of the  
6 system's assets. All individuals associated with the investment and management of  
7 retirement system assets, whether contracted investment advisors or staff  
8 employees, shall adhere to "The Code of Ethics" and "The Standards of  
9 Professional Conduct" promulgated by the Association for Investment Management  
10 and Research. Effective July 1, 1991, no investment counselor shall manage more  
11 than forty percent (40%) of the funds of the retirement system. The board may  
12 appoint an investment committee consisting of the executive secretary and two (2)  
13 trustees to act for the board in all matters of investment, subject to the approval of  
14 the board of trustees. The board of trustees, in keeping with their responsibilities as  
15 trustees and wherever consistent with their fiduciary responsibilities, shall give  
16 priority to the investment of funds in obligations calculated to improve the  
17 industrial development and enhance the economic welfare of the Commonwealth.  
18 Toward this end, the board shall develop procedures for informing the business  
19 community of the potential for in-state investments by the retirement fund,  
20 accepting and evaluating applications for the in-state investment of funds, and  
21 working with members of the business community in executing in-state investments  
22 which are consistent with the board's fiduciary responsibilities. The board shall  
23 include in the criteria it uses to evaluate in-state investments their potential for  
24 creating new employment opportunities and adding to the total job pool in  
25 Kentucky. The board may cooperate with the board of trustees of Kentucky  
26 Retirement Systems in developing its program and procedures, and shall report to  
27 the Legislative Research Commission annually on its progress in placing in-state

1 investments. The first report shall be submitted by October 1, 1991, and subsequent  
2 reports shall be submitted by October 1 of each year thereafter. The report shall  
3 include the number of applications for in-state investment received, the nature of  
4 the investments proposed, the amount requested, the amount invested, and the  
5 percentage of applications which resulted in investments.

6 (2) The board members and investment counselor shall discharge their duties with  
7 respect to the assets of the system solely in the interests of the active contributing  
8 members and annuitants and:

9 (a) For the exclusive purpose of providing benefits to members and annuitants  
10 and defraying reasonable expenses of administering the system;

11 (b) With the care, skill, prudence, and diligence under the circumstances then  
12 prevailing that a prudent person acting in a like capacity and familiar with  
13 these matters would use in the conduct of an enterprise of a like character and  
14 with like aims;

15 (c) By diversifying the investments of the plan so as to minimize the risk of large  
16 losses, unless under the circumstances it is clearly prudent not to do so; and

17 (d) In accordance with the laws, administrative regulations, and other instruments  
18 governing the system.

19 (3) (a) In choosing and contracting for professional investment management services  
20 the board must do so prudently and in the interest of the members and  
21 annuitants. Any contract that the board makes with an investment counselor  
22 shall set forth policies and guidelines of the board with reference to standard  
23 rating services and specific criteria for determining the quality of investments.  
24 Expenses directly related to investment management services shall be  
25 financed from the guarantee fund in amounts approved by the board.

1 (b) An investment counselor appointed under this section shall acknowledge in  
2 writing his fiduciary responsibilities to the fund. To be eligible for  
3 appointment, an investment counselor must be:

- 4 1. Registered under the Federal Investment Advisors Act of 1940; or
- 5 2. A bank as defined by that Act; or
- 6 3. An insurance company qualified to perform investment services under  
7 the laws of more than one (1) state.

8 (4) No investment or disbursement of funds shall be made unless authorized by the  
9 board of trustees, except that the board, in order to ensure timely market  
10 transactions, shall establish investment guidelines, by administrative regulation, and  
11 may permit its staff and investment counselors employed pursuant to this section to  
12 execute purchases and sales of investment instruments within those guidelines  
13 without prior board approval.

14 **(5) In discharging his or her administrative duties under this section, a trustee shall**  
15 **strive to administer the retirement system in an efficient and cost-effective**  
16 **manner for the taxpayers of the Commonwealth of Kentucky.**

17 ➔Section 33. KRS 161.440 is amended to read as follows:

18 At the end of each fiscal year the board of trustees shall assign from the guarantee fund  
19 interest at the **regular interest** rate~~[of three percent (3%)]~~ to the teachers' savings fund,  
20 the state accumulation fund, and the allowance reserve fund. The amounts so allowed  
21 shall be due and payable to the funds and shall be annually credited thereto by the board  
22 of trustees from interest and other earnings on money of the retirement system.

23 ➔Section 34. KRS 161.540 is amended to read as follows:

24 (1) **(a)** Effective July 1, 1988, each **individual who becomes a** member **before July**  
25 **1, 2008,** shall contribute to the retirement system nine and eight hundred fifty-  
26 five thousandths percent (9.855%) of annual compensation, except that

1 university faculty members shall contribute eight and three hundred seventy-  
2 five thousandths percent (8.375%) of annual compensation.

3 (b) Each individual who becomes a member on or after July 1, 2008, shall  
4 contribute to the retirement system ten and eight hundred fifty-five  
5 thousandths percent (10.855%) of annual compensation, except that  
6 university faculty members shall contribute nine and three hundred seventy-  
7 five thousandths percent (9.375%) of annual compensation.

8 (c) Payments authorized by statute that are made to retiring members, who  
9 became members of the system before July 1, 2008, for not more than sixty  
10 (60) days of unused accrued annual leave shall be considered as part of the  
11 member's annual compensation, and shall be used only for the member's final  
12 year of active service. The contribution of members shall not exceed these  
13 applicable percentages on annual compensation. When a member retires, if it  
14 is determined that he has made contributions on a salary in excess of the  
15 amount to be included for the purpose of calculating his final average salary,  
16 any excess contribution shall be refunded to him in a lump sum at the time of  
17 the payment of his first retirement allowance. In the event a member is  
18 awarded a court-ordered back salary payment the employer shall deduct and  
19 remit the member contribution on the salary payment, plus interest to be paid  
20 by the employer, to the retirement system unless otherwise specified by the  
21 court order.

22 (2) Each public board, institution, or agency listed in KRS 161.220(4) shall, solely for  
23 the purpose of compliance with Section 414(h) of the United States Internal  
24 Revenue Code, pick up the member contributions required by this section for all  
25 compensation earned after August 1, 1982, and the contributions so picked up shall  
26 be treated as employer contributions in determining tax treatment under the United  
27 States Internal Revenue Code and KRS 141.010(10). The picked-up member



1 contribution shall satisfy all obligations to the retirement system satisfied prior to  
2 August 1, 1982, by the member contribution, and the picked-up member  
3 contribution shall be in lieu of a member contribution. Each employer shall pay  
4 these picked-up member contributions from the same source of funds which is used  
5 to pay earnings to the member. The member shall have no option to receive the  
6 contributed amounts directly instead of having them paid by the employer to the  
7 system. Member contributions picked-up after August 1, 1982, shall be treated for  
8 all purposes of KRS 161.220 to 161.714 in the same manner and to the same extent  
9 as member contributions made prior to August 1, 1982.

10 ➔Section 35. KRS 161.545 is amended to read as follows:

- 11 (1) Members may make contributions and receive service credit for substitute, part-  
12 time, or any service other than regular full-time teaching as provided in the  
13 administrative regulations of the board of trustees if contributions were not  
14 otherwise made as a result of the service. Members placed on leave of absence  
15 during a period of full-time employment as defined in subsection (21) of KRS  
16 161.220 may make contributions and receive service credit for this leave only if  
17 contributions are made by the end of the fiscal year next succeeding the year in  
18 which the leave was effective as provided in administrative regulations promulgated  
19 by the board of trustees. Contributions permitted after August 1, 1982, shall not be  
20 picked-up pursuant to KRS 161.540(2).
- 21 (2) Active contributing members of the Teachers' Retirement System, or former  
22 members who are currently participating in a state-administered retirement system,  
23 who were granted leaves of absence during a period of full-time employment as  
24 defined in subsection (21) of KRS 161.220 since July 1, 1964, for reasons of health  
25 as defined under the Federal Family Medical Leave Act of 1993, 29 U.S.C. secs.  
26 2601 et seq., child rearing, or to improve their educational qualifications, and did  
27 not purchase the leave of absence as provided in subsection (1) of this section may

1 obtain credit for the leave of absence as provided under the administrative  
2 regulations of the board of trustees and under the following conditions:

3 (a) The leave of absence shall be verified by a copy of the board of education  
4 minutes which granted the leave of absence or by other documentation that  
5 was generated contemporaneously with the leave that is determined by the  
6 retirement system to reasonably establish that a leave of absence was granted;  
7 and

8 (b) The member shall contribute the required percentage based on the salary  
9 received for the year immediately preceding the leave of absence plus interest  
10 at the rate of eight percent (8%) compounded annually from the beginning of  
11 the school year following the year of the leave of absence, and by depositing  
12 in the state accumulation fund an amount equal to this total.

13 (c) The member shall receive credit for no more than two (2) years under the  
14 provisions of this subsection.

15 (3) Contributions permitted under this section after August 1, 1982, shall not be picked-  
16 up pursuant to KRS 161.540(2).

17 **(4) Notwithstanding any other provisions of this section to the contrary, purchase of**  
18 **service credit under subsection (2) of this section for individuals who become**  
19 **members on or after July 1, 2008, shall be purchasable only at the full actuarial**  
20 **cost.**

21 ➔Section 36. KRS 161.5465 is amended to read as follows:

22 On or after August 1, 1998, a member of the Teachers' Retirement System in active  
23 contributing status who has a minimum of twenty (20) years of service credit may  
24 purchase up to a maximum of five (5) years of service credit that is not otherwise  
25 purchasable under any of the provisions of KRS ~~161.220~~<sup>161.230</sup> to 161.716 and that  
26 meets the definition of nonqualified service as provided in Section 1526 of the Federal  
27 Taxpayer Relief Act of 1997. The member shall pay the full actuarial cost of the service

credit as provided in KRS 161.220(22). The payment shall not be picked up by the employer as described in KRS 161.540(2), and the member's payment shall be credited to the member's contribution account and shall be considered accumulated contributions of the member. Payment by the member may be by lump sum or by installment payments as provided in KRS 161.597. Notwithstanding any other statute to the contrary, the Kentucky Teachers' Retirement System shall recognize nonqualified service credit purchased with another retirement system only to the extent that the member had an equivalent number of full months of active employment in the position covered by the other retirement system during the period that the nonqualified service was purchased.

**This section shall not apply to individuals who become members on or after July 1, 2008, except that a teacher of a local school board may purchase up to ten (10) months of service under this subsection if the teacher is retiring and has completed the prior school year with at least twenty-six (26) years and two (2) months of service but less than twenty-seven (27) years of service.**

➔Section 37. KRS 161.600 is amended to read as follows:

(1) Effective July 1, 1988, a member of the retirement system may qualify for service retirement by meeting one (1) of the following requirements:

(a) Attainment of age sixty (60) years and completion of five (5) years of Kentucky service;

(b) **1. For an individual who becomes a member before July 1, 2008,**

attainment of age fifty-five (55) years and completion of a minimum of five (5) years of Kentucky service with an actuarial reduction of the basic allowance of five percent (5%) for each year the member's age is less than sixty (60) years or for each year the member's years of Kentucky service credit is less than twenty-seven (27), whichever is the lesser number; **and**

1 2. For an individual who becomes a member on or after July 1, 2008,  
2 attainment of age fifty-five (55) years and completion of a minimum of  
3 ten (10) years of Kentucky service with an actuarial reduction of the  
4 basic retirement allowance of six percent (6%) for each year the  
5 member's age is less than sixty (60) years or for each year the  
6 member's years of Kentucky service credit is less than twenty-seven  
7 (27), whichever is the lesser number;

8 (c) Completion of twenty-seven (27) years of Kentucky service. Out-of-state  
9 service earned in accordance with the provisions of KRS 161.515(2) may be  
10 used to meet this requirement; or

11 (d) Completion of the necessary years of service under provisions of KRS  
12 61.559(2)(c) if the member is retiring under the reciprocity provisions of KRS  
13 61.680. A member retiring under this paragraph who has not attained age  
14 fifty-five (55) shall incur an actuarial reduction of the basic allowance  
15 determined by the system's actuary for each year the member's service credit  
16 is less than twenty-seven (27).

17 (2) Any person who has been a member in Kentucky for twenty-seven (27) years or  
18 more and who withdraws from covered employment may continue to pay into the  
19 fund each year until the end of the fiscal year in which he reaches the age of sixty-  
20 five (65) years, the current contribution rate based on the annual compensation  
21 received during the member's last full year in covered employment, less any  
22 payment received for accrued sick leave or accrued leave from an employer. The  
23 member shall be entitled to receive a retirement allowance as provided in KRS  
24 161.620 at any time after withdrawing from covered employment and payment of  
25 contributions under this subsection. No member shall make contributions as  
26 provided for in this subsection if the member is at the same time making

1 contributions to another retirement system in Kentucky supported wholly or in part  
2 by public funds.

3 (3) Service credit in the Kentucky Employees Retirement System, the State Police  
4 Retirement System, the Legislators' Retirement Plan, the County Employees  
5 Retirement System, or the Judicial Retirement System may be used in meeting the  
6 service requirements of subsection (1)(a), (b), and (c) of this section, provided the  
7 service is subsequent to July 1, 1956. Upon death, disability, or service retirement, a  
8 member's accounts under all state supported retirement systems shall be  
9 consolidated, as provided by this section and by KRS 61.680, for the purpose of  
10 determining eligibility and amount of benefits, which shall include medical  
11 benefits. Upon determination of benefits, each system shall pay the applicable  
12 percentage of total benefits. The effective date of retirement under this subsection  
13 shall be determined by each retirement system for the portion of the payments that  
14 will be made.

15 (4) No retirement annuity shall be effective until written application and option election  
16 forms are filed with the retirement office in accordance with administrative  
17 regulations of the board of trustees. A member may withdraw his or her retirement  
18 application, postpone his or her effective retirement date, or change his or her  
19 retirement option if these elections are made no later than the fifteenth day of the  
20 month in which the member has made application for retirement.

21 (5) The surviving spouse of an active contributing member, if named as beneficiary of  
22 the member's account, may purchase retirement credit that the member was eligible  
23 to purchase prior to the member's death.

24 ➔Section 38. KRS 161.605 is amended to read as follows:

25 Any member retired by reason of service may return to work in a position covered by the  
26 Kentucky Teachers' Retirement System and continue to receive his or her retirement  
27 allowance under the following conditions:

- 1 (1) Any member who is retired with thirty (30) or more years of service may return to  
2 work in a full-time or a part-time position covered by the Kentucky Teachers'  
3 Retirement System and earn up to a maximum of seventy-five percent (75%) of the  
4 member's last annual compensation measured on a daily rate to be determined by  
5 the board of trustees. For purposes of determining whether the salary of a member  
6 returning to work is seventy-five percent (75%) or less of the member's last annual  
7 compensation, all remuneration paid and benefits provided to the member, on an  
8 actual dollar or fair market value basis as determined by the retirement system, shall  
9 be considered. Members who were retired on or before June 30, 2002, shall be  
10 entitled to return to work under the provisions of this section as if they had retired  
11 with thirty (30) years of service. Nonqualified service credit purchased under the  
12 provisions of KRS 161.5465 or elsewhere with any state-administered retirement  
13 system shall not be used to meet the thirty (30) year requirement set forth in this  
14 subsection. Out-of state teaching service provided in public schools for  
15 kindergarten through grade twelve (12) may count toward the thirty (30) year  
16 requirement set forth in this subsection even if it is not purchased as service credit,  
17 if the member obtains from his or her out-of-state employer certification of this  
18 service on forms prescribed by the retirement system.
- 19 (2) Any member who is retired with less than thirty (30) years of service after June 30,  
20 2002, may return to work in a full-time or part-time position covered by the  
21 Kentucky Teachers' Retirement System and earn up to a maximum of sixty-five  
22 percent (65%) of the member's last annual compensation measured on a daily rate  
23 to be determined by the board of trustees. For purposes of determining whether the  
24 salary of a member returning to work is sixty-five percent (65%) or less of the  
25 member's last annual compensation, all remuneration paid and benefits provided to  
26 the member, on an actual dollar or fair market value basis as determined by the  
27 retirement system, shall be considered.

- 1 (3) Reemployment of a retired member under subsection (1) or (2) of this section in a  
2 full-time teaching or nonteaching position in a local school district shall be  
3 permitted only if the employer certifies to the Kentucky Teachers' Retirement  
4 System that there are no other qualified applicants available to fill the teaching or  
5 nonteaching position. The employer may use any source considered reliable  
6 including but not limited to data provided by the Education Professional Standards  
7 Board and the Department of Education to determine whether other qualified  
8 applicants are available to fill the teaching or nonteaching position. The Kentucky  
9 Board of Education shall promulgate administrative regulations to establish  
10 procedures to determine whether other qualified applicants are available to fill a  
11 teaching or nonteaching position and, if not, for filling the position with a retired  
12 member who will then be permitted to return to work in that position under  
13 subsection (1) or (2) of this section. The administrative regulations shall assure that  
14 a retired member shall not be hired in a teaching or nonteaching position by a local  
15 school district until the superintendent of the school district assures the Kentucky  
16 Teachers' Retirement System that every reasonable effort has been made to recruit  
17 other qualified applicants for the position on an annual basis.
- 18 (4) Under this section, an employer may employ full-time a number of retired members  
19 not to exceed three percent (3%) of the membership actively employed full-time by  
20 that employer. The board of trustees may reduce this three percent (3%) cap upon  
21 recommendation of the retirement system's actuary if a reduction is necessary to  
22 maintain the actuarial soundness of the retirement system. The board of trustees  
23 may increase the three percent (3%) cap upon a determination that an increase is  
24 warranted to help address a shortage in the number of available teachers and upon  
25 the determination of the retirement system's actuary that the proposed cap increase  
26 allows the actuarial soundness of the retirement system to be maintained. For  
27 purposes of this subsection, "full-time" means the same as defined by KRS

1 161.220(21). A local school district may exceed the quota established by this  
2 subsection by making an annual written request to the Kentucky Department of  
3 Education which the department may approve on a year-by-year basis if the  
4 statewide quota has not been met. A district's written request to exceed its quota  
5 shall be submitted no sooner than two (2) weeks after the start of the school year.

- 6 (5) A member returning to work in a full-time or part-time position under subsection  
7 (1) or (2) of this section will contribute to an account with the retirement system  
8 that will be administered independently from and with no reciprocal impact with the  
9 member's original retirement account, or any other account from which the member  
10 is eligible to draw a retirement allowance. A member returning to work under  
11 subsection (1) or (2) of this section shall make contributions to the retirement  
12 system at the rate provided under KRS 161.540. The new account shall  
13 independently meet the five (5) year vesting requirement as well as all other  
14 conditions set forth in KRS 161.600(1) before any retirement allowance is payable  
15 from this account. The retirement allowance accruing under this new account shall  
16 be calculated pursuant to KRS 161.620(1)(b). This new account shall not entitle the  
17 member to a duplication of the benefits offered under KRS 161.620(7) or 161.675,  
18 nor shall this new account provide the benefits offered by KRS 161.520, 161.525,  
19 161.620(3), 161.655, 161.661, or 161.663. A member returning to work under  
20 subsection (1) or (2) of this section shall waive his or her medical insurance with  
21 the Kentucky Teachers' Retirement System during the period of reemployment and  
22 shall receive the medical insurance coverage that is generally provided by the  
23 member's active employer to the other members of the retirement system that the  
24 active employer employs. If medical insurance coverage is not available from the  
25 employer, the Kentucky Teachers' Retirement System may provide coverage for  
26 the member. A member returning to work under subsection (1) or (2) of this section  
27 shall not be eligible to purchase service credit for any service provided after the



1 member's effective date of retirement but prior to the date that the member returns  
2 to work. A member returning to work under subsection (1) or (2) of this section  
3 shall not be eligible to purchase service credit that the member would have  
4 otherwise been eligible to purchase prior to the member's initial retirement. A  
5 member who returns to work under subsection (1) or (2) of this section, or in the  
6 event of the death of the member, the member's estate or applicably designated  
7 beneficiary, shall be entitled, within ninety (90) days of the posting of the annual  
8 report submitted by the employer, to a refund of contributions as permitted and  
9 limited by KRS 161.470.

- 10 (6) The board of trustees may annually, on July 1, adjust the current daily rate of a  
11 member's last annual compensation, for each full twelve (12) month period that has  
12 elapsed subsequent to the member earning his or her last annual compensation, by  
13 the percentage increase in the annual average of the consumer price index for all  
14 urban consumers for the calendar year preceding the adjustment as published by the  
15 Federal Bureau of Labor Statistics, not to exceed five percent (5%) annually. Each  
16 annual adjustment shall become part of the member's daily rate base. Failure to  
17 comply with the salary limitations set forth in subsections (1) and (2) of this section  
18 as may be adjusted by this subsection shall result in a reduction of the member's  
19 retirement allowance or any other benefit to which the member would otherwise be  
20 entitled on a dollar-for-dollar basis for each dollar that the member exceeds these  
21 salary limitations. Notwithstanding any other provision of law to the contrary, a  
22 member retiring from a local school district who returns to work for a local school  
23 district under subsection (1) or (2) of this section shall be entitled, without any  
24 reduction to his or her retirement allowance or any other retirement benefit, to earn  
25 a minimum amount equal to the base contract salary for a beginning Rank III  
26 teacher on the certified teachers' salary schedule effective at the school district for  
27 which the retiree returns to work.

- 1     (7)   (a)   A retired member returning to work under subsection (1) or (2) of this section  
2           shall have separated from service for a period of at least one (1) year if  
3           returning to work for the same employer on a full-time basis, and at least three  
4           (3) months if returning to work for a different employer on a full-time basis.  
5           A retired member returning to work under subsection (1) or (2) of this section  
6           on a part-time basis shall have separated from service for a period of at least  
7           three (3) months before returning to work for any employer.
- 8           (b)   As an alternative to the separation-from-service requirements in paragraph (a)  
9           of this subsection, a retired member who is returning to work for the same  
10          employer in a full-time position under subsections (1) and (2) of this section  
11          may elect a separation-from-service of not less than two (2) months followed  
12          by a forfeiture of the retired member's retirement allowance on a month-to-  
13          month basis for each month that the member has separated from service for  
14          less than twelve (12) full months. A retired member returning to work for the  
15          same employer in a part-time position, or for a different employer in a full-  
16          time position, may elect an alternative separation-from-service requirement of  
17          at least two (2) months followed by a forfeiture of the member's retirement  
18          allowance for one (1) month. During the period that the member forfeits his or  
19          her retirement allowance and thereafter, member and employer contributions  
20          shall be made to the retirement system as a result of employment in any  
21          position subject to membership in the retirement system. The member shall  
22          contribute to an account with the retirement system subject to the conditions  
23          set forth in subsection (5) of this section. For purposes of measuring the  
24          separation-from-service requirements set forth throughout this section, a  
25          member's separation-from-service begins on the first day following the last  
26          day of paid employment for the member prior to retirement.

1           (c) Failure to comply with the separation-from-service requirements in this  
2           subsection voids a member's retirement and the member shall be required to  
3           return all the retirement benefits he or she received, with interest, for the  
4           period of time that the member returned to work without a sufficient  
5           separation from service.

6   (8)   (a) Effective July 1, 2004, local school districts may employ retired members in  
7           full-time or part-time teaching or administrative positions without limitation  
8           on the compensation of the retired members that is otherwise required by  
9           subsections (1) and (2) of this section. Under provisions of this subsection, a  
10          local school district may only employ retired members to fill critical shortage  
11          positions for which there are no other qualified applicants as determined by  
12          the local superintendent. The number of retired members that a local school  
13          district may employ under this subsection shall be no more than two (2)  
14          members per local school district or one percent (1%) of the total active  
15          members employed by the local school district on a full-time basis as defined  
16          under KRS 161.220(21), whichever number is greater. Retired members  
17          returning to work under this subsection shall be subject to the separation-  
18          from-service requirements set forth in subsection (7) of this section. Retired  
19          members returning to work under this subsection shall waive their medical  
20          insurance coverage with the retirement system during their period of  
21          reemployment and receive medical insurance coverage that is offered to other  
22          full-time members employed by the local school district. Retired members  
23          returning to work under this subsection shall contribute to an account subject  
24          to the conditions set forth in subsection (5) of this section. Retired members  
25          returning to work under this subsection shall make contributions to the  
26          retirement system at the rate provided under KRS 161.540. The employer  
27          shall make contributions at the rate provided under KRS 161.550. Local

1 school districts shall make annual payments to the retirement system on the  
2 compensation paid to the reemployed retirees at the rates determined by the  
3 retirement system's actuary that reflect any accrued liability resulting from the  
4 reemployment of these members.

5 (b) The Department of Education may employ retired members in full-time or  
6 part-time teaching or nonteaching positions without the limitations on  
7 compensation otherwise required by subsections (1) and (2) of this section to  
8 fill critical shortage areas in the schools it operates, including the Kentucky  
9 School for the Blind, the Kentucky School for the Deaf, and the Kentucky  
10 Virtual High School, to serve on scholastic audit teams, and to provide  
11 technical assistance to schools and districts required under federal law. The  
12 department shall be subject to the same requirements as local school districts  
13 as provided in paragraph (a) of this subsection, except the Kentucky Teachers'  
14 Retirement System shall determine the maximum number of employees that  
15 may be employed under this paragraph.

16 (9) The return to work limitations set forth in this section ~~and KRS 161.603~~ shall  
17 apply to retired members who are returning to work in the same position from  
18 which they retired, or a position substantially similar to the one from which they  
19 retired, or a position described in KRS 161.046 or any position listed in KRS  
20 161.220(4) which requires membership in the retirement system. Positions which  
21 generally require certification or graduation from a four (4) year college or  
22 university as a condition of employment which are created, or changed to remove  
23 the position from coverage under KRS 161.220(4) are also subject to the return to  
24 work limitations set forth in this section and KRS 161.603. The board of trustees  
25 shall determine whether employment in a nonteaching position is subject to this  
26 subsection.

(10) The provisions of subsections (1) to (8) of this section are not subject to KRS 161.714.

(11) Any member retired by reason of service may waive his or her annuity and return to full-time employment in a position covered by the Kentucky Teachers' Retirement System under the following conditions:

(a) The member shall receive no annuity payments while employed in a covered position, shall waive his or her medical insurance coverage with the Kentucky Teachers' Retirement System during the period of reemployment, and shall receive the medical insurance coverage that is generally offered by the member's active employer to the other members of the retirement system employed by the active employer. The member's estate or, if there is a beneficiary applicably designated by the member, then the beneficiary, shall continue to be eligible for life insurance benefits as provided in KRS 161.655. Service subsequent to retirement shall not be used to improve an annuity, except as provided in paragraphs (b) and (c) of this subsection;

(b) Any member who waives regular annuity benefits and returns to teaching or covered employment shall be entitled to make contributions on the salaries received for this service and have his retirement annuity recalculated as provided in the regular retirement formula in KRS 161.620(1), less any applicable actuarial discount applied to the original retirement allowance due to the election of a joint and last survivor option. Retirement option and beneficiary designation on original retirement shall not be altered by post-retirement employment, and dependents and spouses of the members shall not become eligible for benefits under KRS 161.520, 161.525, or 161.661 because of post-retirement employment;

(c) When a member returns to full-time teaching or covered employment as provided in subsection (b) of this section, the employer is required to

withhold and remit regular retirement contributions. The member must be employed full-time for at least one (1) consecutive contract year to be eligible to improve an annuity. The member shall be returned to the annuity rolls on July 1 following completion of the contract year or on the first day of the month following the month of termination of service if full-time employment exceeds one (1) consecutive contract year. Any discounts applied at the time of the original retirement due to service or age may be reduced or eliminated due to additional employment if full-time employment is for one (1) consecutive contract year or longer; and

(d) A member retired by reason of service who has been employed the equivalent of twenty-five (25) days or more during a school year under KRS 161.605 may waive the member's retirement annuity and return to regular employment covered by the Kentucky Teachers' Retirement System during that school year a maximum of one (1) time during any five (5) year period, beginning with that school year.

(12) Retired members may be employed in a part-time teaching capacity by an agency described in KRS 161.220(4)(b) or (n), not to exceed the equivalent of twelve (12) teaching hours in any one (1) fiscal year. Retired members may be employed for a period not to exceed the equivalent of one hundred (100) days in any one (1) fiscal year in a part-time administrative or nonteaching capacity by an agency described in KRS 161.220(4)(b) or (n) in a position that would otherwise be covered by the retirement system. The return to work provisions set forth in subsections (1) to (8) of this section shall not apply to retired members who return to work solely for an agency described in KRS 161.220(4)(b) or (n). Calculation of the number of days and teaching hours for part-time teaching, substitute teaching, or part-time employment in a nonteaching capacity under this section shall not exceed the ratio between a school year and the actual months of retirement for the member during

1 that school year. The board of trustees by administrative regulation may establish  
2 fractional equivalents of a day of teaching service. Any member who exceeds the  
3 twelve (12) hour or one hundred (100) day limitations of this subsection shall be  
4 subject to having his or her retirement voided and be required to return all  
5 retirement allowances and other benefits paid to the member or on the member's  
6 behalf since the effective date of retirement. In lieu of voiding a member's  
7 retirement, the system may reduce the member's retirement allowance or any other  
8 benefit to which the member would otherwise be entitled on a dollar-for-dollar  
9 basis for each dollar of compensation that the member earns in employment  
10 exceeding twelve (12) hours, one hundred (100) days, or any apportionment of the  
11 two (2) combined.

12 (13) When a retired member returns to employment in a part-time teaching capacity or  
13 in a nonteaching capacity as provided in subsection (12) of this section, the  
14 employer shall contribute annually to the retirement system on the compensation  
15 paid to the retired member at rates determined by the retirement system actuary that  
16 reflect accrued liability for retired members who return to work under subsection  
17 (12) of this section.

18 (14) For retired members who return to work during any one (1) fiscal year in both a  
19 position described in KRS 161.220(4)(b) or (n) and in a position described under  
20 another provision under KRS 161.220(4), and for retired members who return to  
21 work in a position described under KRS 161.220(4)(b) or (n) in both a teaching and  
22 an administrative or nonteaching capacity, the board of trustees shall adopt a  
23 methodology for a pro rata apportionment of days and hours that the retired  
24 member may work in each position.

25 ➔Section 39. KRS 161.620 is amended to read as follows:

26 (1) The retirement allowance, in the form of a life annuity with refundable balance, of a  
27 member retiring for service shall be calculated as follows:

- 1 (a) For retirements effective July 1, 1998, and thereafter, except as otherwise  
2 provided by this section, the annual allowance for each year of service shall  
3 be two percent (2%) of the final average salary for service performed prior to  
4 July 1, 1983, and two and one-half percent (2.5%) of the final average salary  
5 for service performed after July 1, 1983, for all members not employed by a  
6 state college or university. The annual retirement allowance for each year of  
7 service performed by members of the Teachers' Retirement System who are  
8 members under the provisions of KRS 161.220(4)(b) or (n) shall be two  
9 percent (2%) of the final average salary. Actuarial discounts due to age or  
10 service credit at retirement may be applied as provided in this section.
- 11 (b) For individuals who become members of the Kentucky Teachers' Retirement  
12 System on or after July 1, 2002, and before July 1, 2008, except those  
13 persons who become members under KRS 161.220(4)(b) or (n), and who  
14 upon retirement have earned less than ten (10) full years of service credit, the  
15 retirement allowance shall be two percent (2%) of the member's final average  
16 salary for each year of service. For individuals who become members of the  
17 Kentucky Teachers' Retirement System on or after July 1, 2002, and before  
18 July 1, 2008, except those persons who become members under KRS  
19 161.220(4)(b) or (n), and who upon retirement have earned at least ten (10)  
20 full years of service credit, the annual allowance for each year of service shall  
21 be two and one-half percent (2.5%) of the member's final average salary.
- 22 (c) The board of trustees may approve for members who initially retire on or after  
23 July 1, 2004, and who become members before July 1, 2008, except those  
24 persons who are members under KRS 161.220(4)(b) or (n), a retirement  
25 allowance of three percent (3%) of the member's final average salary for each  
26 year of service credit earned in excess of thirty (30) years. This three percent  
27 (3%) factor shall be in lieu of the two and one-half percent (2.5%) factor



provided for in paragraph (b) of this subsection for every year or fraction of a year of service in excess of thirty (30) years. Upon approval of this three percent (3%) retirement factor, the board of trustees may establish conditions of eligibility regarding the type of service credit that will qualify for meeting the requirements of this subsection. This subsection is optional with the board of trustees and shall not be subject to KRS 161.714.

(d) For individuals who become members of the Kentucky Teachers' Retirement System on or after July 1, 2008, except those persons who become members under KRS 161.220(4)(b) or (n), the retirement allowance shall be:

1. a. One and seven-tenths percent (1.7%) of the member's final average salary for each year of service if the member has earned ten (10) or less years of service at retirement;

b. Two percent (2%) of the member's final average salary for each year of service if the member has earned greater than ten (10) but no more than twenty (20) years of service at retirement;

c. Two and three-tenths percent (2.3%) of the member's final average salary for each year of service if the member has earned greater than twenty (20) but no more than twenty-six (26) years of service at retirement; or

d. Two and one-half percent (2.5%) of the member's final average salary for each year of service if the member has earned greater than twenty-six (26) but no more than thirty (30) years of service at retirement; and

2. Three percent (3%) of the member's final average salary for each year of service earned in excess of thirty (30) years of service at retirement.

(e) For individuals who become members of the Kentucky Teachers' Retirement System on or after July 1, 2008, who are members under KRS 161.220(4)(b) or (n), the retirement allowance shall be:

1. One and one-half percent (1.5%) of the member's final average salary for each year of service if the member has earned ten (10) or less years of service at retirement;
2. One and seven-tenths percent (1.7%) of the member's final average salary for each year of service if the member has earned greater than ten (10) but no more than twenty (20) years of service at retirement;
3. One and eighty-five hundredths percent (1.85%) of the member's final average salary for each year of service if the member has earned greater than twenty (20) but less than twenty-seven (27) years of service at retirement; or
4. Two percent (2%) of the member's final average salary for each year of service if the member has earned twenty-seven (27) or more years of service at retirement.

(f) The retirement allowance of a member at retirement, as measured on a life annuity, shall not exceed the member's last yearly salary or the member's final average salary, whichever is the greater amount. For purposes of this section, "yearly salary" means the compensation earned by a member during the most recent period of contributing service, either consecutive or nonconsecutive, preceding the member's effective retirement date and shall be subject to the provisions of KRS 161.220(9) and (10).

- (2) Effective July 1, 2002, and annually on July 1 thereafter, the retirement allowance of each retired member and of each beneficiary of a retirement option shall be increased in the amount of one and one-half percent (1.5%), provided the retired member had been retired for at least the full twelve (12) months immediately

1 preceding the date that the increase is effective. In the event that the retired member  
2 had been retired for less than the full twelve (12) months immediately preceding the  
3 date that the increase is effective, then the increase shall be reduced on a pro rata  
4 basis by each month that the retired member had not been retired for the full twelve  
5 (12) months immediately preceding the effective date of the increase.

- 6 (3) Any member qualifying for retirement under a life annuity with refundable balance  
7 shall be entitled to receive an annual allowance amounting to not less than four  
8 hundred dollars (\$400) effective July 1, 2002, and not less than four hundred forty  
9 dollars (\$440) effective July 1, 2003, multiplied by the service credit years of the  
10 member. These minimums shall apply to the retired members receiving annuity  
11 payments and to those members retiring on or subsequent to the effective dates  
12 listed in this subsection. ***This subsection and subsection (4) of this section shall***  
13 ***not apply to individuals who become members of the Kentucky Teachers'***  
14 ***Retirement System on or after July 1, 2008.***

- 15 (4) The minimum retirement allowance provided in this section shall apply in the case  
16 of members retired or retiring under an option other than a life annuity with  
17 refundable balance in the same proportion to the benefits of the member and his  
18 beneficiary or beneficiaries as provided in the duly-adopted option tables at the time  
19 of the member's retirement.

- 20 (5) Effective July 1, 2008, the monthly allowance of each retired member and each  
21 recipient of a retirement option of the retired member may be increased in an  
22 amount not to exceed three and one-half percent (3.5%) of the monthly allowance  
23 in effect the previous month, provided the retired member had been retired for at  
24 least the full twelve (12) months immediately preceding the date that the increase is  
25 effective. In the event that the retired member had been retired for less than the full  
26 twelve (12) months immediately preceding the date that the increase is effective,  
27 then the increase shall be reduced on a pro rata basis by each month that the retired

1 member had not been retired for the full twelve (12) months immediately preceding  
2 the effective date of the increase. The level of increase provided for in this  
3 subsection shall be determined by the funding provided in the 2008-2010 biennium  
4 budget appropriation.

5 (6) Effective July 1, 2009, the monthly allowance of each retired member and each  
6 recipient of a retirement option of the retired member may be increased in an  
7 amount not to exceed seven-tenths of one percent (0.7%) of the monthly allowance  
8 in effect the previous month, provided the retired member had been retired for at  
9 least the full twelve (12) months immediately preceding the date that the increase is  
10 effective. In the event that the retired member had been retired for less than the full  
11 twelve (12) months immediately preceding the date that the increase is effective,  
12 then the increase shall be reduced on a pro rata basis by each month that the retired  
13 member had not been retired for the full twelve (12) months immediately preceding  
14 the effective date of the increase. The level of increase provided for in this  
15 subsection shall be determined by the funding provided in the 2008-2010  
16 biennium budget appropriation.

17 (7) Effective July 1, 1990, monthly payments of two hundred dollars (\$200) shall be  
18 payable for the benefit of an adult child of a member retired for service when the  
19 child's mental or physical condition is sufficient to cause dependency on the  
20 member at the time of retirement. Eligibility for this payment shall continue for the  
21 life of the child or until the time the mental or physical condition creating the  
22 dependency no longer exists or the child marries. Benefits under this subsection  
23 shall apply to legally adopted survivors provided the proceedings for the adoption  
24 were initiated at least one (1) year prior to the death of the member. The board of  
25 trustees shall be the sole judge of eligibility or dependency and may require formal  
26 application or information relating thereto.

(8) Members of the Teachers' Retirement System shall be subject to the annuity income limitations imposed by Section 415 of the Internal Revenue Service Code.

(9) Compensation in excess of the limitations imposed by Section 401(a)(17) of the Internal Revenue Code shall not be used in determining a member's retirement annuity. The limitation on compensation for eligible members shall not be less than the amount which was allowed to be taken into account by the retirement system in effect on July 1, 1993. For this purpose, an eligible member is an individual who was a member of the retirement system before the first plan year beginning after December 31, 1995.

➔Section 40. KRS 161.623 is amended to read as follows:

(1) Effective July 1, 1982, and thereafter, a district board of education or other employer of members of the Teachers' Retirement System may compensate, at the time of retirement for service, an active contributing member for unused sick-leave days in accordance with this section.

(2) Upon the member's application for service retirement, the employer shall certify the retiring member's unused accumulated sick-leave balance to the board of trustees of the Kentucky Teachers' Retirement System. The member's sick-leave balance, expressed in days, shall be divided by one hundred eighty-five (185) days to determine the amount of service credit that may be considered for addition to the member's retirement account for the purpose of determining the retirement allowance under KRS 161.620. Notwithstanding any statute to the contrary, sick-leave credit that is accredited under this section or by one (1) of the other state-administered retirement systems shall not be used for the purpose of determining whether the member is eligible to receive a retirement allowance from the Kentucky Teachers' Retirement System.

(3) The board shall compute the cost to the retirement system of the sick-leave credit for each retiring member and shall bill the last employer of the retiring member for

1 such cost. The employer shall pay the cost of such service credit to the retirement  
2 system within fifteen (15) days after receiving notification of the cost from the  
3 board.

4 (4) Retiring members who receive service credit under this section shall not be eligible  
5 to receive compensation for accrued sick leave under KRS 161.155(10) or any other  
6 statutory provision.

7 (5) Employer participation is optional and the employer may opt to purchase less  
8 service credit than the member is eligible to receive provided the same percentage  
9 of reduction is made applicable to all retiring members of the employer during a  
10 school fiscal year.

11 (6) The board of trustees shall formulate and adopt necessary rules and regulations for  
12 the administration of the foregoing provisions.

13 (7) Payments to the retirement system for service credit obtained under this section or  
14 for compensation credit obtained under KRS 161.155(10) shall be based on the full  
15 actuarial cost as defined in KRS 161.220(22).

16 **(8) For an individual who becomes a member on or after July 1, 2008, the maximum**  
17 **amount of unused accumulated sick leave that may be considered for addition to**  
18 **the member's retirement account for purposes of determining the retirement**  
19 **allowance under Section 38 of this Act shall not exceed three hundred (300) days.**

20 ➔Section 41. KRS 161.675 is amended to read as follows:

21 (1) The board of trustees shall arrange by appropriate contract or on a self-insured basis  
22 to provide a broad program of group hospital and medical insurance for present and  
23 future eligible recipients of a retirement allowance from the Teachers' Retirement  
24 System. The board of trustees may also arrange to provide health insurance  
25 coverage through an insurer licensed pursuant to Subtitle 38 of KRS Chapter 304  
26 and offering a managed care plan as defined in KRS 304.17A-500 as an alternative  
27 to group hospital and medical insurance for persons eligible for hospital and

1 medical benefits under this section. The board of trustees may authorize present and  
2 future eligible recipients of a retirement allowance from the Teachers' Retirement  
3 System who are less than age sixty-five (65) to be included in the state-sponsored  
4 health insurance that is provided to active teachers and state employees under KRS  
5 18A.225. Members who are sixty-five (65) or older and retired for service shall not  
6 be eligible to participate in the state employee health insurance program as  
7 described in KRS 18A.225.

- 8 (2) (a) The coverage provided shall be as set forth in the contracts and the  
9 administrative regulations of the board of trustees. The board of trustees may  
10 change the levels of coverage and eligibility conditions to meet the changing  
11 needs of the annuitants and, when necessary, to contain the expenses of the  
12 insurance program within the funds available to finance the insurance  
13 program, except as provided by paragraph (b) of this subsection. The  
14 contracts and administrative regulations shall provide for but not be limited to  
15 hospital room and board, surgical procedures, doctors' care in the hospital,  
16 and miscellaneous hospital costs. An annuitant whose effective date of  
17 retirement is July 1, 1974, and thereafter, must have a minimum of five (5)  
18 years' creditable Kentucky service in the Teachers' Retirement System or five  
19 (5) years of combined creditable service in the state-administered retirement  
20 systems if the member is retiring under the reciprocity provisions of KRS  
21 61.680 and 61.702. A member retiring under the reciprocity provisions of  
22 KRS 61.680 and 61.702 may not elect coverage through more than one (1) of  
23 the state-administered retirement systems. The board of trustees shall offer  
24 coverage to the disabled child of an annuitant regardless of the disabled  
25 child's age if the annuitant pays the entire premium for the disabled child's  
26 coverage. A child shall be considered disabled if he has been determined to be  
27 eligible for federal Social Security disability benefits.

1       **(b) Individuals who become members of the Kentucky Teachers' Retirement**  
2       **System on or after July 1, 2008, shall not be eligible for benefits under this**  
3       **section unless the member has at least fifteen (15) or more years of service**  
4       **credited under KRS 161.500 or another state-administered retirement**  
5       **system.**

6       (3) All expenses for benefits under this section shall be paid from the funding  
7       provisions contained in KRS 161.420(5), premium charges received from the  
8       annuitants and the spouses, and from funds that may be appropriated or allocated by  
9       statute.

10      (4) (a) The board of trustees shall determine the amount of health insurance supplement  
11              payments that the Teachers' Retirement System will provide to assist eligible  
12              annuitants in paying the cost of their health insurance, based on the funds  
13              available in the medical insurance fund. The board of trustees shall establish  
14              the maximum monthly amounts of health insurance supplement payments that  
15              will be made by the retirement system for eligible annuitants. The board of  
16              trustees shall annually establish the percentage of the maximum monthly  
17              health insurance supplement payment that will be made, based on age and  
18              years of service credit of eligible recipients of a retirement allowance.  
19              Monthly health insurance supplement payments made by the retirement  
20              system may not exceed the amount of the single coverage insurance premium  
21              chosen by the eligible annuitants. In order to qualify for health insurance  
22              supplements made by the retirement system, the annuitant must agree to pay  
23              the difference between the insurance premium and the applicable supplement  
24              payment, by payroll deduction from his retirement allowance, or by a  
25              payment method approved by the retirement system.

26      (b) The board of trustees may offer, on a full-cost basis, health care insurance  
27              coverage provided by the retirement system to spouses and dependents of



1 eligible annuitants not otherwise eligible for regular coverage. Recipients of a  
2 retirement allowance from the retirement system must agree to pay the cost of  
3 this coverage by payroll deduction from their retirement allowance or by a  
4 payment method approved by the retirement system.

5 (c) The board of trustees shall offer, on a full-cost basis, health insurance  
6 coverage provided by the retirement system to the disabled child of an  
7 annuitant, regardless of the age of the disabled child. A child shall be  
8 considered disabled for purposes of this section if the child has been  
9 determined to be eligible for federal Social Security disability benefits.

10 (5) The board of trustees is empowered to require the annuitant and the annuitant's  
11 spouse to pay a premium charge to assist in the financing of the hospital and  
12 medical insurance program. The board of trustees is empowered to pay the  
13 expenses for insurance coverage from the medical insurance fund, from the  
14 premium charges received from the annuitants and the spouses, and from funds that  
15 may be appropriated or allocated by statute. The board may provide insurance  
16 coverage by making payment to insurance carriers including health insurance plans  
17 that are available to active and retired state employees and active teachers,  
18 institutions, and individuals for services performed, or the board of trustees may  
19 elect to provide insurance on a "self-insurance" basis or a combination of these  
20 provisions.

21 (6) The board of trustees may approve health insurance supplement payments to  
22 eligible annuitants who are less than sixty-five (65) years of age, as reimbursement  
23 for hospital and medical insurance premiums made by annuitants for their  
24 individual coverage. Eligible annuitants or recipients are those annuitants who are  
25 not eligible for Medicare and who do not reside in Kentucky or in an area outside of  
26 Kentucky where comparable coverage is available. The reimbursement payments  
27 shall not exceed the minimum supplement payment that would have been made had

1 the annuitant lived in Kentucky. Eligible annuitants or recipients shall submit proof  
2 of payment to the retirement system for hospital and medical insurance that they  
3 have obtained. Reimbursement payments shall be made on a quarterly basis.

4 (7) Contracts negotiated may include the provision that a stated amount of hospital cost  
5 or period of hospitalization shall incur no obligation on the part of the insurance  
6 carrier or the retirement system.

7 (8) The board of trustees is empowered to promulgate administrative regulations to  
8 assure efficient operation of the hospital and medical insurance program.

9 (9) Premiums paid for hospital and medical insurance coverage procured under  
10 authority of this section shall be exempt from any premium tax which might  
11 otherwise be required under KRS Chapter 136. The payment of premiums by the  
12 insurance fund shall not constitute taxable income to an insured recipient.

13 (10) In the event that a member is providing services on less than a full-time basis under  
14 KRS 161.605, the retirement system may pay the full cost of the member's health  
15 insurance coverage for the full fiscal year that the member is providing those  
16 services, at the conclusion of which, the retirement system may then bill the active  
17 employer and the active employer shall reimburse the retirement system for the cost  
18 of the health insurance coverage incurred by the retirement system on a pro rata  
19 basis for the time that the member was employed by the active employer.

20 ➔Section 42. The following KRS section is repealed:

21 151.603 Consistency of each council's long-range water supply plan with other  
22 provisions of law -- Contents of plan -- Function of planning councils.

23 ➔Section 43. Notwithstanding any provision of KRS 61.565 or 61.702 to the  
24 contrary, the employer contribution rates for the County Employees Retirement Systems  
25 from July 1, 2008, through June 30, 2009, shall be 13.5 percent, consisting of 7.76  
26 percent for pension and 5.74 percent for insurance, for nonhazardous duty employees;

1 and 29.5 percent, consisting of 15.04 percent for pension and 14.46 percent for insurance,  
2 for hazardous duty employees.

3 ➔Section 44. The provisions of subsection (3) of Section 21 of this Act and  
4 subsection (1)(c) of Section 30 of this Act that reduce the term limits of elected or  
5 appointed members of the board of trustees of the Kentucky Retirement Systems and the  
6 Kentucky Teachers' Retirement System shall apply to terms of office beginning after July  
7 1, 2008.

8 ➔Section 45. Whereas the financial health of public employee retirement systems  
9 are imperative to the public employees of the Commonwealth of Kentucky, an  
10 emergency is declared to exist, and this Act takes effect upon its passage and approval by  
11 the Governor or upon its otherwise becoming law.  
12